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Baham	100.00	Italy	103.00	S. Africa	103.00
Belgium	103.00	Japan	103.00	Singapore	103.00
Canada	103.00	South Korea	103.00	Taiwan	103.00
Cyprus	103.00	Spain	103.00	Thailand	103.00
Denmark	103.00	Sweden	103.00	USA	103.00
Egypt	103.00	Switzerland	103.00		
Finland	103.00	Turkey	103.00		
France	103.00	UAE	103.00		
Germany	103.00				
Greece	103.00				
Hong Kong	103.00				
India	103.00				

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER
Tuesday October 20 1987

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No. 30,367

United Nations: How
Moscow came in
from the cold, Page 19

World News Business Summary

World equity markets succumb to widespread fears of recession as sellers take control

Language row brings Martens resignation

King Baudouin accepted the resignation of Prime Minister Wilfried Martens' coalition Government over a language row then asked him to form a caretaker government. The King also asked Martens to draft a list of constitutional reforms to defuse linguistic strife between Belgium's 5.5m Dutch and 4.5m French-speaking citizens.

Indians penetrate Tigers stronghold

Indian troops met stiff resistance but advanced slowly into the centre of Jaffna city, stronghold of the Liberation Tigers of Tamil Eelam in northern Sri Lanka.

EC reforms impasse

EC member states drifted apart in their efforts to agree on a radical overhaul of their future finances, making the prospect of any deal by the December summit deadline increasingly unlikely. Page 28

Swedish minister quits

Swedish Justice Minister Sten Wickbom resigned, saying he took full responsibility for a series of mistakes which led to the escape of a Soviet spy from under the noses of the security services. Page 2

New Zealand sanctions

New Zealand imposed sanctions against Fiji in response to its change of status to a republic, ending all military co-operation and cutting economic aid. Page 4

Vatican deficit talks

Cardinals met to seek ways of reducing the Vatican's deficit, expected to reach a record \$33m this year - and church leaders expected to reach an agreement making the Roman Catholic Church's budget public for the first time.

Yugoslav tax plea

Prime Minister Branko Mikulic called for higher taxes, wage and price restraints and easier debt repayments to reduce Yugoslavia's 125 per cent inflation and \$200m foreign debt. Page 2

Cereal stocks warning

Cereal stocks in developing countries would plunge to the lowest levels in a decade this year because of bad weather in Asia and Africa, the UN Food and Agriculture Organisation warned.

Train crash kills 100

More than 100 people were killed and 305 injured when two crowded Indonesian commuter trains crashed head-on in Jakarta, apparently after a signals fault.

Sudan prices demo

About 10,000 people marched through Khartoum in protest against price increases and devaluation of the Sudanese pound.

Unesco criticism

Spanish newspapers attacked the Government for failing to support Federico Mayor's campaign to become Unesco director-general and congratulated him on winning nomination over the weekend. Britain is stay out. Page 13

Home-brew headache

A sharp rise in Soviet sugar consumption since the start of the Kremlin's anti-alcohol drive in May 1985 indicated home-brewing was costing the state 200m roubles (\$320m) a year in lost vodka sales, Pravda said. Soviet economy. Page 3

Unisys income soars by 145%

UNISYS, computer company, forged last year by the merger of Burroughs and Sperry, an increase of 145 per cent in net income in the third quarter to \$129.7m. Page 21

LEADING US bank groups, including JP Morgan and Security Pacific, reported modestly higher earnings yesterday. Page 21

AMERICAN Telephone & Telegraph, largest US telecommunications group, reported a modest decline in net income in the third quarter to \$505m or 47 cents a share from \$533m or 48 cents a share in the 1986 third quarter. Page 21

AT&T and Philips of the Netherlands' joint telecommunications venture is forecasting a big increase in turnover next year, following a spate of new orders. Page 21

ROKER, ambitious US pharmaceuticals company, received approval from Washington to distribute a new drug which could reduce the spread of AIDS to haemophilia. Page 21

GOLD rose \$16.25 on the London bull market to close at \$281.50. In Zurich it rose \$15.25 to \$282.50. Page 22

DOLLAR closed in New York at DM1.7735; SF1.4730; FF1.9225; and ¥141.53. It fell in London to DM1.7770 (DM1.8010); to SF1.4760 (SF1.4930); to FF1.9275 (FF1.9150); and to ¥141.70 (¥142.75). On Bank of England figures the dollar's exchange rate index fell 0.11 to 98.1. Page 23

STERLING closed in New York at \$1.6555. It rose in London to \$1.6505 (\$1.6100); and to ¥238.00 (\$237.50); but fell to DM2.9850 (DM2.9950) and to SF1.9775 (SF1.9850). The pound's exchange rate index rose 0.2 to 73.8. Page 23

RENAULT, French state-owned car group, has launched a strategic reorganization of its Spanish and Portuguese operations to preserve its strong position in these markets as competition intensifies with the integration of the two countries into the European Community. Page 23

FERMENTA, Sweden's scandal-ridden antibiotics and chemicals group, reported losses after the red for the first eight months, on sales of SKR2.2bn, and forecast full-year losses of up to SKR140m after financial items. Page 23

TRAFALGAR HOUSE, UK shipping, property and building combine, has bought Capital Homes, US homes builder, for \$20m in cash. Page 23

PUMA, West German sports-wear manufacturer, said it posted a 1987 first-half group loss of about DM14m (\$7.7m), of which the largest portion was in the US. Page 23

PROMET, Malaysia-Singapore oil rig and construction group, reported 1986 profits after tax and extraordinary items of 1.4m ringgit (\$355,000) compared with a previous loss of 114m ringgit.

FINANCIAL CORPORATION of America, troubled leader of the US savings and loan industry, said it had taken the red for the third quarter as sales of loans and mortgage-backed securities, its life-preserver over the past two years, fell away. Page 21

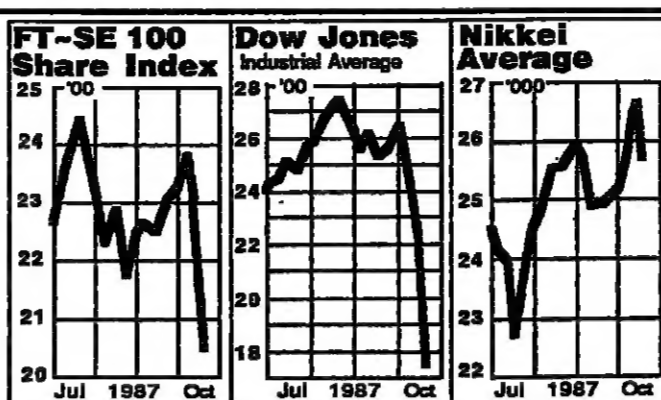
ASEA BROWN BOWERS, electrical engineering group which is in the process of being formed by merging Asea of Sweden and BEC Brown Boveri of Switzerland, is to be organised into four main business areas. Page 21

ALUMINUM COMPANY of America, largest US aluminium producer, more than trebled its net earnings in the third quarter, reflecting higher prices for and shipments of aluminium compared to a year ago when operations were depressed by a strike by 15,000 workers. Page 21

Record falls on Wall Street trigger worldwide slide

BY ANATOLE KALETSKY AND RODERICK ORAM IN NEW YORK AND JANET BUSH IN LONDON

France's small shareholders told to sit tight. Page 2
BP shares fall below offer price. Page 21
Oil and gold prices soar. Page 23
Money markets. Page 23
London stock exchange. Page 26
Frayed nerves and tested technology. Page 40
Reports from world markets. Page 40



At the New York Stock Exchange traders wept frantically to keep up with the millions of sell orders flooding Wall Street. "It is absolutely wild," said Mr. Robert Dupont Jr., a New York Stock Exchange official. New York Stock Exchange Vice-President Richard Torrezano said: "We just can't make the tape run any faster because you wouldn't be able to read it." At the close 603m shares had changed hands on the NYSE, surpassing easily the previous record of 338m shares, which was set only last Friday. Technically, this is 1929. It may not be of the same magnitude but this thing is very similar to 1929," said Mr. George Soros, president of Soros Fund Management, and one of the most successful investors in New York. "Hopefully, we will not now have a replay of 1930 to 1932," he said. Traders, many of whom had

Continued on Page 20

Heavy selling hits bourses all over Europe

BY JANET BUSH IN LONDON

FRANTIC SELLING hit bourses throughout Europe, testing stock exchange systems to the limit and leaving dealers wondering how their markets could find any insulation from Wall Street's disastrous performance.

Share prices were marked down sharply at the outset as the bourses responded to last week's wave of selling on Wall Street and then drove the US equities again opened lower. In London, trading was chaotic as the Stock Exchange's automated quotation system failed to cope with the volume of business and telephones were left

ringing by dealers already inundated with calls. In Frankfurt, the bourse stayed open for an extra half hour and in Brussels, where the fall in share prices was the largest since records began 23 years ago, trading was extended by 45 minutes.

The London Stock Exchange was worst hit as traders swiftly responded to two days of heavy selling on Wall Street. On Friday, business in the City of London was almost shut down after overnight storms. The FT-SE 100 index was marked down by nearly 140 points at the outset yesterday

and plunged more than 200 points before rallying nervously to close at 2523.3, down 242.6 points, the worst points fall in a day since the FT-SE index was started. The previous record points fall was on August 6 when it closed 56 points lower.

In percentage terms, yesterday's drop of 10.1 per cent, as measured by the FT Ordinary Index, was the largest since a drop of 7.1 per cent in March, 1974. The FT Ordinary closed at 1629.2, down 183.7 since Thursday. Most share analysts were trying to put a brave face on yesterday's rout, arguing that the

fundamental strength of the British economy would begin to reassert itself on market psychology when the current hysteria calms down.

One equity dealer in London commented: "The professionals will go down with the ship rather than be seen to be unprofessional by panicking. The true professionals got out of the London market three weeks ago."

Although the price falls were astonishing and the speed of the drop unprecedented, institutional selling was not reported to have been substantial and the large pension funds and insurance companies seemed to

have kept their nerve. Private investors appeared to have been scared out of even attempting to respond to the drop and probably could not have called their brokers in any case. However, the fall has worried many involved in the British Government's sale of British Petroleum shares.

Not only is there grave concern that the small investor could now shy away from the offering but there was also speculation that the Government might even delay the sale if share prices continued to slump. Continued on Page 20

Bankers try to restore confidence in dollar accord

BY PHILIP STEPHENS IN LONDON AND ANDREW FISHER IN FRANKFURT

EUROPEAN OFFICIALS yesterday sought to restore confidence in their commitment to the dollar by sharply responding to the recent transatlantic dispute over rising West German interest rates.

There were also signs that West Germany's Bundesbank is backing away from the staunchly independent stance over monetary policy which sparked the row. The central bank was accused of being too tight in Frankfurt money markets, and a senior official said that it was

now prepared to resist pressure for further increases in interest rates.

The dollar's fall yesterday followed weekend remarks by Mr. James Baker, the US Treasury Secretary, underlining Washington's anger over successive rises in West Germany's borrowing costs over the past few weeks. The comments intensified speculation that the US would seek a lower dollar if the trend continued.

In London, the US currency closed at DM1.7770, 2.4 pence lower than on Friday, although

above the levels seen in initial trading. Sterling climbed by 1.7 cents to end the day at \$1.6555.

There were signs that US irritation with the Bundesbank is shared by some European nations, which feel that West Germany may have over-reacted to market pressure for higher rates.

Mr. Nigel Lawson, Britain's Chancellor of the Exchequer, has done little to disguise his view that West Germany should do more to promote economic growth and should avoid any tightening of monetary policy.

While it has been careful to avoid public criticism of the recent Bundesbank moves, the Government's view is that they have been "unhelpful".

In comments which were seen as directed as much to Bonn as to Washington, Mr. Edward Balladur, the French Finance Minister, yesterday called for all participants to live up to their commitments.

Mr. Gerhard Stoltenberg, West Germany's Finance Minister, was quoted by his officials as saying that he assumed co-operation among the Group of Seven

would continue.

Mr. Claus Koehler, a member of the Bundesbank directorate told WPT, the German financial news agency, that the central bank would prevent a further rise in rates so as to calm down the market and also to help to stabilise the dollar.

By adding liquidity to the market through a special provision allowing use of government funds deposited with it, the Bundesbank brought call money rates down to around 3.75 per cent after a day's high of 3.95 per cent.

Takeshita to succeed Nakasone as Japanese Prime Minister

BY IAN RODGER IN TOKYO

MR. NOBORU Takeshita has been selected to succeed Mr. Yasuhiro Nakasone as Japan's prime minister. He will take over early in November.

Mr. Takeshita, 63, was chosen last night by Mr. Nakasone after an extraordinary turn of events at the end of several days' negotiations among the three candidates for the job.

Yesterday evening, when it appeared that the negotiations would not be successful, the three agreed to submit their resignations as candidates for president of the ruling Liberal Democratic Party - a post which carries the position of prime minister - and let Mr. Nakasone decide which to accept.

They did this rather than face a potentially divisive election today among the 445 LDP members of the Diet (parliament). Mr. Nakasone met with a few of the LDP's elder statesmen before arriving at his decision. He also urged Mr. Takeshita, a former finance minister, to name the other two candidates, Mr. Shintaro Abe, 63, and Mr. Kiichi Miyazawa, 60, to other senior appointments.

Mr. Takeshita immediately appointed Mr. Abe as secretary

general of the LDP, a post until now occupied by Mr. Takeshita and generally considered the gateway to the prime minister's office.

Mr. Miyazawa, Finance Minister, was named deputy prime minister, a position often given to senior statesmen.

In a statement Mr. Nakasone said it was important to maintain party unity to deal with difficult internal and external problems, including an overseas trade imbalance and restructuring the economy.

Both Mr. Abe and Mr. Miyazawa said they would cooperate with Mr. Takeshita.

Most political observers in Tokyo were expecting that if Mr. Nakasone became involved as an arbitrator he would lean towards Mr. Abe who, it was argued, would be best placed to maintain party unity.

LDP officials suggested later that the selection of Mr. Takeshita was made partly on the assumption that he, as the leader of the largest faction in the party, would be the best of the three candidates to lead the party into a general election, even though one is probably two years away.

Mr. Nakasone might also have leaned in favour of Mr. Takeshita in return for the support given to him by Mr. Takeshita and his followers five years ago when he became prime minister.

There were also fears that the Takeshita faction might split up if its leader did not become prime minister.

Mr. Takeshita said in his policy platform unveiled last month that he would work to continue policies of Mr. Nakasone and called for efforts to improve relations with the US, strained particularly by trade friction.

On domestic issues he has called for decentralisation and a tax on land transactions to stem sky-rocketing property prices.

While on the sensitive issue of Japanese import restrictions he said: "We will work to increase imports, providing other nations with information on the characteristics of the Japanese market."

The decisive intervention by Mr. Nakasone makes him now the clear kingmaker in the LDP and a political force to be reckoned with after he leaves office. Japan's man for all moments. Page 28

ANZ. The bank with the global view.



In the past Australian banks have tended to concentrate on their home market to do business. Not so at Australia and New Zealand Banking Group, which now includes Grindlays Bank and has assets of over \$25.7 billion. The group has an international network with more than 1,600 branches and offices in over 40

countries. Both ANZ and Grindlays have over 150 years experience in financing international trade and today offer a full range of banking and financial services. When your business needs finance, talk to ANZ. You'll benefit from our local knowledge - and our global view.

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Prime Minister Brian Mulroney counts cost of Liberal provincial landslide, Page 3

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EUROPEAN NEWS

Gonzalez backs closer EC ties on defence

MR FELIPE Gonzalez, the Spanish Prime Minister yesterday backed increased defence co-operation with European Community nations and said common action would not threaten the presence of US forces in Europe. AP reports from Florence.

The Spanish leader said at the European University Institute, where he delivered an address on European unity, that the recent Franco-German agreement on a common brigade and joint manoeuvres was a precondition for such defence co-operation.

"The common defence area of Europe is an idea whose time has come," said Mr Gonzalez, adding that the tentative Soviet-US agreement on intermediate nuclear forces had reopened a debate on European security.

Asked how this would affect Spain's current negotiations with the US on bases, Mr Gonzalez replied: "Any reflection will have to take into account the US presence on different parts of the continent."

Spain will have to decide by November 14 whether it will renounce the current five-year treaty with the US signed in 1983, as talks between the two countries have stalled.

There are 10,500 US troops and four joint-use US-Spanish bases in Spain.

He said his proposals for greater European defence co-operation "have no relation to the present negotiations," but he would not comment further.

Pointing to possible areas of co-operation in European defence, Mr Gonzalez said the Western European Union, a loose-knit defence framework, could be revived. It



Felipe Gonzalez

could also take the form of joint construction of tanks, and a single fighter plane, he added.

In his address at the university's annual Jean Monnet conference, Mr Gonzalez echoed the same themes, saying that the Western defence framework had now changed with the new Soviet-US agreement and that it was "clearer than ever" that European countries should work together for their common defence "within the framework of the Western Alliance".

On other issues, Mr Gonzalez predicted that Mr Federico Mayor Zaragoza of Spain, the new director-general of Unesco, would be able to restore co-operation between countries at the international organisation.

He also reiterated that Spain's position not to send ships to the Gulf would not change and that any confrontation between the US and Iran would not affect the present climate of détente between the US and the Soviet Union.

Yugoslav PM spells out plan to ease debt crisis

BY OUR FOREIGN STAFF

THE Yugoslav Prime Minister, Mr Branko Mikulic, yesterday outlined to Parliament a 120-point programme designed to persuade the country's foreign creditors to accept proposals for debt consolidation.

Senior officials had been quoted several times in recent weeks as saying that Yugoslavia would cut back repayments on its \$19bn foreign debt to 25 per cent of the country's foreign currency earnings next year.

Mr Mikulic said Yugoslavia had used 46.5 per cent of its hard currency earnings in the past 12 months to make debt repayments, which are currently suspended pending the start of negotiations on rescheduling with Western creditors.

He painted a gloomy picture of Yugoslavia's economy, saying that gross national product was expected to grow by only 1 per cent this year, compared to 3.6 per cent in 1986.

The Prime Minister indicated that Yugoslavia would ask the West for fresh European aid with what he said was a programme to restructure industry

and boost exports. In recent years, Yugoslavia has tried to do without fresh credits from Western banks and governments.

There has been widespread speculation about a price freeze as part of the government programme. Mr Mikulic made no mention of this, saying only that the Government intended to increase control of prices. Currently, 45 per cent of industrial prices and 33 per cent of agricultural prices are determined by the government.

The authorities have twice rescinded planned price increases on consumer staples such as bread and petrol in the past four months following widespread popular protest. Producers have argued, however, that they need higher prices to cope with inflation, now at 12 per cent.

If price controls are increased, this would go against past demands from the International Monetary Fund to liberalise the price structure as one step toward improving the Yugoslav economy.

Turkey halves its current account deficit to \$674m

BY DAVID BARCHARD IN ANKARA

TURKEY'S current account deficit was \$674m in the first seven months of this year, around half what it was in the same period of 1986, the State Institute of Statistics announced yesterday.

The improvement comes despite increased debt servicing obligations. Latest figures from Bank officials still expect the deficit to reach about \$1.1bn by year-end.

A rise in exports this year seems to be the most important factor behind the current account performance. Latest figures show that exports have risen by 31 per cent to \$5,868m in the first nine months of the year, with an all-time exporting

monthly record of over \$1bn in September.

The export increase comes from trade with the OECD (up by 62 per cent in the first nine months of this year) and the EC (up by 56 per cent) in particular. Exports to Islamic countries fell by nearly 12 per cent.

However imports are also growing. They rose by 16 per cent in the first nine months of the year, most of the increase coming from the petroleum-exporting countries of the Gulf.

The current account performance should reassure the international commercial banks that Turkey will not need any additional balance of payments assistance until well into 1988.

PLUMMETING MARKET PUTS PRIVATISATION PLANS IN DOUBT

French small shareholders urged to sit tight

BY GEORGE GRAHAM IN PARIS

FRANCE'S new generation of small shareholders has woken up with a jolt to the dangers of the stock market.

After rushing to buy shares in the 11 companies which have been privatised in France in the past nine months, they are now looking at the other side of the coin - Le Krach.

The collapse of Paris share prices in recent weeks has brought a regiment of government ministers out to man the barricades.

"We have to look at things over the long term, not at day-to-day movements. What savers should be looking at is the health of our economy and the health of our companies," said Mr Edouard Balladur, the Finance Minister.

"Don't panic, hold on tight to your shares. You must not be discouraged because the market is falling," said Mr Jacques Chirac, the President.

But the privatised companies have not been spared from the collapse of the stock market. Many of them are now trading

below the price at which they were originally floated. Paribas dropped yesterday to FF987.9 per cent below its issue price, joined by Compagnie Generale d'Electricite (CGE) and Societe Generale, with more than 2m shareholders apiece.

France now boasts an estimated 6m direct shareholders - three times as many as existed a year ago - whose lack of experience of the stock market has caused frissons of anticipation among brokers who feared that they might panic at the first signs of a market slump.

Hard-bitten institutional investors expressed surprise at the spectacle of the chairman of the Paris stock exchange, Mr Xavier Dupont, urging small investors to keep their sang froid. But Mr Dupont has been seconded by Mrs Roseyline Pierre, who represents the small shareholders on the board of the Caisse des Depots et Consignations. "As long as you haven't sold, you haven't lost. It is in bear markets that you get your education," Mrs Pierre said.

For the time being, the privatised companies feel that their small shareholders have not been gripped by the panic. The small shareholders are staying very calm. The movements are coming very much from the institutional investors," commented Mr Andre Assolady, director of communications at Paribas.

"We have the impression that very few shareholders are selling. The problem is that no-one at all is buying, which makes the share price fall," said Mr Jean-Francois Guichard, in charge of investor relations at CGE.

The momentum of the privatisation programme appears barely to have been maintained for Compagnie Financiere de Suez, the banking and investment group whose offer for sale closed on Saturday. The first round indicates that Suez will come close to the 1.5m subscribers achieved by St Gobain, the first company to be privatised, or by Credit Commercial de France. The score is a long way

from the 3.8m applications clocked up by the rival Paribas, but is nevertheless respectable in today's highly unfavourable marketplace.

The real fears come for the next round of privatisations: for Matra, the defence and electronics company whose offer for sale opens next week, and for the two insurance companies, one bank and one industrial company which Mr Balladur has said he wants to privatise by March next year.

The steep fall of the stock market is creating mounting anxiety at the headquarters of Rhone-Poulenc, the chemicals group, and Pechiney, the aluminium producer, which are competing to be selected as the next industrial group to be privatised. Both are eager to raise new equity capital to finance their expansion plans and restore their balance sheets, but they can only do this if they are allowed to move into the private sector - a hope which may now be dashed.

Spain bank sets up in Portugal

By Diana Smith in Lisbon

HISPANO AMERICANO, Spain's largest financial group and third largest bank, this week announced that it had set up an investment company, Hispano Americano Sociedade de Investimentos, in Portugal.

Since EC accession, business relations between Spain and Portugal have developed so rapidly and intensively that by September, this year's Spanish investment in Portugal is expected to reach \$1.5bn.

Hispano Americano investment company intends to be a channel for Spanish investment in Portugal on the booming stock market as well as in industry and services, and for Portuguese investment in Spain which has begun to grow, albeit at a more modest pace than Spanish investment in Portugal.

According to Mr Claudio Benda, Hispano Americano's president, the organisation would have been happy to open a fully-fledged bank in Lisbon, but had been informed by the Portuguese authorities that a licence to operate a bank would take far longer to obtain than permission to open an investment company.

Therefore, Mr Benda told the press in Lisbon that the investment company was a stepping stone. It would quickly diversify into financial services in which Hispano Americano specialises.

Seen, the new investment company plans to enter joint ventures with Portuguese companies in leasing, factoring, insurance and portfolio management. Two other major Spanish banks, Central and Exterior, have been swarming into Portugal since banking legislation was liberalised nearly four years ago.

Now that two Portuguese banks, Espirito Santo e Comercial de Lisboa and Banco de Fomento Nacional, have been allowed to set up representative offices in Madrid, the licensing process for Spanish banks may become less protracted.

Waste ship limps in

AN incinerator ship disabled in the North Sea by protesting fishermen was being towed to Rotterdam yesterday, the Greenpeace environmentalist group said, AP reports from Copenhagen.

The Valerius II was set adrift Sunday when it snagged in the nets the fishermen spread in its path to protest against burning toxic waste.

Swiss poll breakthrough eludes Greens

BY WILLIAM DUFFLANCE IN GENEVA

SWITZERLAND comfortably defeated the Green environmentalists in the Federal parliamentary election at the weekend. For the second time running the principal loser turned out to be the Socialist Party.

But one of the oddities, if marginal, effects of the Greens' thrust to win influence in Swiss politics was the success of the conservative 'Auto Party' re-elected to the National Council.

Formed to oppose the environmentalists, it has placed two of its candidates in the National Council. With final positions still being worked out in two of the biggest cantons yesterday, computer projections had the Ecological Party gaining six seats, taking its total to 10 in the 26-member National Council.

This fell short of some expectations voiced shortly before the election but was in line with the forecasts of the Ecologists' own leaders.

A separate election list of 15 left-wing Greens, led by environmentalists, had advanced from four to six representatives.

Greens can therefore expect to hold at least 15 seats on the National Council, sufficient to entitle them to be represented on key parliamentary committees.

However, the Green breakthrough which some conservative politicians had expected to follow the Soviet nuclear accident at Chernobyl and last November's pollution of the Rhine by Swiss chemicals, simply has not materialised.

Losses by the four-party coalition which has governed Switzerland since 1959 will number eight or eight, leaving it still in control of well over three quarters of the seats in the National Council.

In addition, the 46-member

Council of States remains almost wholly in the coalition's hands. Only one independent candidate, Mr Monika Weber, representing a consumer movement backed by the Migros co-operative stores, succeeded in breaking the monopoly of the upper chamber exercised by the coalition and its French-speaking Liberal allies.

Among the three 'bourgeois' partners of the coalition, the Radical Democrats, the biggest, were projected to end up with 39 seats, a loss of four, in the National Council, while the Christian Democrats were expected to hold 41 seats, one less than before.

The People's Party, a small farmers' movement turned liberal, which some forecasters speculated might be overtaken by the Greens, was instead on the way to gaining four seats.

These three 'bourgeois' parties will command just under 150 of the 200 seats in the National Council.

Fourth partner in the coalition since 1959, the Socialist Party has lost seven representatives, according to the projections. Mr Helmut Hubacher, its chairman, described the result as "unacceptable".

In Swiss political terms the setback is substantial. The Socialists had adopted a pro-environmentalist platform but clearly failed to win voters from the 'bourgeois' Greens.

An important explanation for the Socialists' decline is the fact that Switzerland's 'working class' now consists largely of some 800,000 foreign workers who have no vote. Moreover, like other European Labour parties the Swiss Socialists have not managed to adapt their ideology to the aspirations of industry's new technological.

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Non-aligned and neutrals to be excluded from troop cut talks

BY JUDY DEMPSEY IN VIENNA

THE member states of Nato and the Warsaw Pact which are meeting here informally to draw up a draft mandate for reducing conventional forces have agreed in principle to exclude the neutral and non-aligned countries from any formal talks.

Since February, the 16 members of Nato and the 10 members of the Warsaw Pact have been meeting to look at ways of giving fresh impetus to the cutting of conventional forces in Europe.

Both sides are now discussing each other's draft documents in an atmosphere described by one Western diplomat as "very business-like and free of polemics".

The new talks will operate within the framework of the Conference on Security and Co-

operation in Europe (CSCE) which, with the exception of Albania, includes all the countries of Eastern and Western Europe, Canada, the United States and the Soviet Union.

The talks, however, cannot be formalised until a mandate is agreed by all the 35 participating states of the CSCE process.

A draft document presented by the Warsaw Pact in June stipulated that all the 35 CSCE states be involved in the new talks. Nato, in contrast, favoured a system whereby the neutral and non-aligned would be informed about the talks on a regular basis.

It is fair to say that the Warsaw Pact has now accepted this proposal," a Western diplomat commented.

The main sticking point, how-

ever, still centres on the scope of the talks. Nato, in its proposals on "conventional stability" presented in July, insisted that the talks focus specifically on reducing conventional weapons.

The Warsaw Pact was insistent that nuclear weapons be included in the talks.

Meanwhile, the Vienna follow-up meeting of the CSCE is expected to get down to polemics. A compromise draft concluding document drawn up by the Austrian and Swiss delegations, which was originally accepted as a working document, has become, as one Western delegate put it, "completely amended and watered down by the Soviet side".

The growing consensus is that the Vienna meeting will not end as scheduled on November 20.

Poland urged to give opposition government say

By Christopher Robinson in Warsaw

CONSENSUS, an officially recognised Polish discussion club containing moderates from the Communist Party and people with a Catholic church background, has urged the inclusion of opposition experts in the Government.

This is the first public suggestion of this kind since martial law was imposed, and comes in an article by Mr Tomasz Bartoszewicz, one of the group's founders, in an official weekly, as the government's appointments to be announced on Saturday are being decided.

It argues that the country will accept painful price increases necessary for economic reforms to succeed if the government contains names commanding opposition groups' confidence.

Mr Boris Gostiev, the Finance Minister, who spoke after Mr Talyzin, said there were improvements but "some managers

Two key sectors lag in Soviet economy

By Patrick Cockburn in Moscow

THE SOVIET economy, two months before the introduction of the most important managerial reforms since the 1930s, is achieving moderate rates of growth but continues to lag in key engineering and construction sectors, the Soviet Parliament was told yesterday.

Mr Nikolai Talyzin, head of the state planning organisation Gosplan and a candidate member of the Politburo, said while introducing the plan and budget for 1988 that industrial production was planned to rise by 4.5 per cent next year. This is up on the original five-year plan estimates and compares with an increase of 3.6 per cent so far this year.

Decentralising

However, Mr Talyzin also stressed that from January 1 next year 60 per cent of Soviet industry will switch to self-financing and cost accounting in a major move to decentralise economic decisions. Central bodies such as Gosplan ought to play a much smaller role in determining the day-to-day activities of enterprises.

As a result of these reforms, immediate impact on production is unknown, the attainment of plan targets for industry and agriculture will be less and less determined by Moscow.

Nevertheless, Mr Talyzin, considered a conservative on economic reform, told the Supreme Soviet that national income was planned to rise by 10 per cent next year, up from 8.8 per cent in 1987, and that industrial output by 4.5 per cent, agricultural by 3.4 per cent and labour productivity by 4.3 per cent.

Reviewing Soviet economic performance in 1987, Mr Talyzin said that the crucial machine-building industry, which is meant to recast the rest of Soviet industry, was raising its output at the required rate. Production was up only 3.3 per cent in the first three quarters of the year in part because a proportion of its output was rejected by Gosplan, the state quality control organisation introduced at the start of 1987.

The troubles of the machine-building industry confirm that it is having difficulty in simultaneously absorbing a high level of investment, raising its technical level and also increasing production simultaneously. "It is having difficulty in simultaneously absorbing a high level of investment, raising its technical level and also increasing production simultaneously."

Mr Talyzin said that the impact so far of new methods of economic management was still small. Its real effect would only become apparent after the introduction on January 1 of the State Enterprises Law ushering in financial independence and self-accounting to 60 per cent of Soviet enterprises.

Mr Boris Gostiev, the Finance Minister, who spoke after Mr Talyzin, said there were improvements but "some managers out of habit request money from the state instead of earning it."

But both he and Mr Gostiev underlined the significance of two other economic changes. "The first is the transfer of responsibility for construction to enterprises themselves or to regions. The duration of construction is twice what it should be, tying down major resources," Mr Gostiev said.

Energy saving

Figures released at the weekend showed that capital construction in the machine-building complex was 83 per cent of plan, in the chemical and wood industries was 74 per cent of target. Mr Talyzin said: "The plan is now being drawn up by those at the bottom with the centre only exercising overall control."

Another aspect of change underlined yesterday was saving resources. In the energy sector, coal and gas have outperformed their targets, but only because they absorb a high proportion of industrial investment and senior Soviet officials have spoken of raising the price of fuel and raw materials to make enterprises more efficient in their use.

The statistical detail of Mr Talyzin's speech yesterday gives the impression that Gosplan and other central economic bodies, which are meant to be issuing fewer instructions, are loath to reduce their authority.

Terry Dodsworth assesses the likely impact of an unusual industrialist on a joint European information technology programme

Stern rhetoric puts Europe's Esprit on its mettle

MR JACQUES STERN, chairman of Bull, the French computer group, is an unusual industrialist. For one thing, he loves giving speeches - long, stirring orations in which he pours out his convictions on the need to strengthen Europe's high technology industries. For another, he has no fear of controversy.

On both counts, Mr Stern made his mark at the recent conference on the progress of Esprit, the joint European programme of research into the information technology industry.

In a keynote address on the results of Esprit, he put the case for a stronger European research effort in terms that would not have seemed out of place in the Gaullist rhetoric of 25 years ago; and he went out of his way to press for a more hard-headed, market-oriented approach directed at producing marketable products.

Mr Stern's intervention pinpointed a number of issues which will face collaborative European research projects

over the next few years. The principle of co-operative programmes now seems to have been firmly established: after the long struggle over the European Community budget earlier this year, Esprit has been given new funding which will double its resources to Ecu3.2bn (\$2.2bn) for a five-year programme starting roughly a year from now; and companies and universities from the full range of the EC have undoubtedly learned to work together in a way that would have been unimaginable five years ago.

But the technology gap between Europe and its competitors in the US and Japan remains. The original Esprit programme, now in its fourth year, aimed to tackle the technology issue with an ambitious and modest approach. On the first score, it has channelled EC funds into companies and universities which were willing to form transborder alliances - a dramatic bid to push these institutions beyond their national boundaries, give a European

scale to research and avoid duplication of effort.

More modestly, however, the programme was designed to concentrate on pre-competitive research. But Mr Stern questioned whether this approach will hold much in terms of more competitive products. He pointed to three mainline equipment areas in which Europe has virtually no presence at all, but which are crucial elements in the technology structure of any country: supercomputers, microprocessors, and computer storage devices. In all these fields, he believes that the EC should embark on a determined catch-up effort. Such a move would mean, however, raising a number of issues.

European Governments are increasingly less inclined to support a more product-oriented approach on behalf of companies which, he believes, should have done more to help themselves. Some governments, notably the UK, argue that public funds should be used only sparingly or not at all

when it comes to the development of new products. That, they say, is the main responsibility of the companies themselves.

Big product programmes tend to be costly. Countries such as West Germany are already sceptical about the way money is spent on pan-European research, arguing that cost controls tend to be weak and that the price of achieving excellence is higher in collaborative ventures. Indeed, this was one of the factors behind the British Government's long drawn out blockade of new funds for EC research earlier this year.

Larger projects also tend to put big companies more firmly in the driving seat, since they have the most resources to organise these kinds of activities. A point emphasised by Mr Stern, who advocated the formal organisation of some projects around chosen European champions. This would meet intense opposition from smaller and less developed European countries, which already argue that they are at a disadvantage in competing for Esprit funding.

A more product-led attitude could lead to friction with the

universities. Within the Esprit programme there is a great deal of enthusiasm for the way in which the old barriers between industry and the university system have been broken down. But moving the boundary lines closer to the university model of co-operation does not mean that they have disappeared.

The betting at the moment is that these issues will be resolved by a change of emphasis. Officials working on Esprit are already preparing to give a somewhat greater market orientation to the programme, notably through Technology Integration Projects, aimed at bringing together researchers from different fields to see how this cross-fertilisation may lead to products. There will be several relatively large schemes of this type aimed at areas such as industrial automation.

Many of the researchers involved in Esprit believe that this approach makes more in-

dustrial and political sense than the high prestige programme advocated by Mr Stern. They argue that Europe is still only beginning to rectify its weaknesses in several areas of basic research; and they believe that it would be foolish to embark on glamorous flag-planting projects with a high risk of failure and political interference.

But the danger of the low key approach is that it may lose Esprit the public support it needs for the future. It is hard to win much attention for achievements such as new software tools, for instance, which mean little to either the man in the street or the ministers who decide on budgets. At some point along the line, taxpayers may be demanding tangible proof that Esprit is beginning to turn back the tide of American computers and Japanese hi-fi equipment; and at that time, the debate on pure research versus product orientation will reopen again in earnest.

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Poor outlook for Brazil confirms creditors' fears

By TWO DAWNAY IN BRASILIA

A MARKED slowdown in Brazil's economic performance has forced Finance Ministry officials to revise the forecasts presented to bank and institutional creditors in June as part of the country's Macroeconomic Consistency Plan.

Publication of the new figures, scheduled for the end of this week, will confirm fears that Brazil's outlook for the year end is less rosy than predicted.

Unofficial reports claim that the forecast for the public sector deficit has been raised from 2.5 per cent to 4.5 per cent of gross domestic product. The new estimates take into account a larger than expected deficit in the first half - up from 1.9 per cent to 2.1 per cent - additional expenditure previously unaccounted for and a large rise in the federal government's salary bill.

The fall in industrial output in August and September has also forced a downward revision of the year end growth in GDP from a 3.5 per cent rise to 2 per cent. Brazil needs to achieve growth of 6 per cent to absorb the 1.5 million workers who enter the labour market each year.

The poorer outlook confirms the fears expressed by foreign creditors after the plan was launched that the forecasts were too optimistic.

Visible trade performance is continuing to improve, however, fuelled by strong exports of coffee and cars.

A trade surplus of more than \$1.4bn in September has led officials to revise the 12 month forecast from \$2.5bn to \$3bn, it is claimed.

The improvement had fuelled speculation that Brazil may offer to make a symbolic payment of some interest on \$80bn in longer term commercial bank loans. Interest payments on these credits were suspended in February after it was revealed that Brazil's foreign reserves had fallen dramatically to \$4bn.

Unofficial newspaper reports have speculated that the Brazilian Government will offer a token payment shortly in an effort to prevent US bank regulators ordering a further downward revision of the status of the country's debt to 'value impaired'.

Mr Fernando Milliet, the Central Bank president, has this week resumed talks in New York on a possible strategy for rescheduling the country's \$13bn foreign debt. There is uncertainty as to whether the talks will be successful in preventing a further downward revision of the status of the country's debt to 'value impaired'.

Baker flies to Europe for talks

By Stewart Fleming, US Editor, in Washington

MR JAMES BAKER, the US Treasury Secretary, was yesterday flying to Europe for discussions with Government officials in Sweden, Denmark and Belgium.

Treasury officials said Mr Baker would consult finance ministers on a range of bilateral and multinational issues including the Third World debt problem.

There is speculation that the Treasury Secretary may also meet West German officials. Last week Mr Baker injected new uncertainties into the world's financial markets by attacking West Germany's economic policies.

With the US financial markets collapsing for the third consecutive day yesterday, some economists have concluded that Mr Baker's attack on West Germany, coming at a time of heightened nervousness in the financial markets, could well turn out to be his worst mistake in two and a half years at the Treasury.

Much depends, however, on whether Wall Street can both stabilise and recover confidence in the wake of his worst post war battering.

Mr Baker's political standing is also on the line now. There is concern over the policies which have been adopted by both the Treasury (in terms



James Baker: new uncertainties

of Administration rhetoric) and the Federal Reserve Board. The Fed's decision not to raise the discount rate to try to steady the markets also has the stamp of the Treasury Secretary's strategy.

Indeed on Wall Street some financial experts are disturbed by evidence that the Fed under its recently-appointed chairman, Mr Alan Greenspan, is echoing Mr Baker's confident assessment of the outlook for inflation.

Yesterday Mr Peter McPherson, the Deputy Secretary of the Treasury, told a US-Israel trade conference the economy's fundamentals were 'very solid' in spite of the budget deficit and trade deficit problems.

Echoing Administration views, Mr McPherson said that the US had made enormous strides in reducing unemployment and creating jobs.

He added that the rise in interest rates and the volatility in the stock market were of concern but, like Mr Baker, said he thought market expectations of inflation were exaggerated.

David Owen in Toronto on the eclipse of New Brunswick's Tories

Voters' leaves turn in Canada

THE TREES of New Brunswick are turning red and the leaves are dropping like Tories.

The campaign refrain of Mr Frank McKenna, the gritty New Brunswick Liberal leader, was fulfilled beyond his wildest dreams last week when his party eclipsed the Conservatives of Mr Richard Hatfield and won all 58 seats in the province's legislature.

Coming just a month after the Ontario Liberals under Mr David Peterson had gained a landslide of scarcely lesser proportions, the result set more alarm bells ringing for Mr Brian Mulroney's beleaguered ruling federal Conservative Party in Ottawa.

Having garnered 50 per cent of the vote and a crushing House of Commons majority in the September 1984 general election, the Tories have had the support of fewer than one in three decided voters throughout this year. The latest Gallup poll, conducted between October 7 and 10, less than a week after the signing of a tentative free trade pact with the US, puts support for the party firmly below the one in four level at 23 per cent. The opposition Liberals and New Democratic Party (NDP) are now tied for first place with 38 per cent.

The unconventional premier's spectacular demise has been laid at the door of a string of so-called 'personal problems', including alleged drug-related incidents and the misuse of provincial and party funds. These, rather than Mr Hatfield's not inconsiderable record of political achievement during his long reign, appear to have been uppermost in the

average New Brunswick voter's mind.

In similar fashion, the present unpopularity of the Mulroney administration has been widely blamed on a sequence of scandals, which have undermined such political successes as the Meech Lake accord and the Finance Ministry's generally well-received tax reform package.

If voters throughout Canada mimic the New Brunswick electorate in its system of priorities, it would appear to augur badly for Mr Mulroney's reliance on major policy achievements, such as the US-Canada free trade deal, to pull his party back from the brink.

But while the Conservatives are not exactly in the pink at the moment, most observers cite two compelling reasons why the New Brunswick debacle and the equally embarrassing defeat in Ontario rank only a three or four on the Richter scale of the party's current catalogue of woes.

First, the New Brunswick election was so dominated by the party leaders' respective (and highly distinctive) personalities that it is generally regarded as a case sui generis. In such a tightly-knit community as New Brunswick, Mr Hatfield's past alleged misdemeanours were bound to be viewed dimly. 'It is remarkable that such an unconventional character held on for so long in such a conventional community,' opines one seasoned Toronto-based commentator.

Second, Canada has often manifested an almost instinctive inclination to vote heavily for federal opposition parties in



Mulroney: party beleaguered

provincial elections. 'There is a real tradition of checks and balances in Canada,' comments Mr Bill Fox, a political consultant and former adviser to Mr Mulroney. 'When Trudeau was elected there were 6 or 7 Liberal governments at a provincial level,' he adds. 'By the time he left there weren't any.'

The present-day Conservatives still have much ground to lose before they reach that sorry state. While Tory representation among the premiers of the ten provinces has now shrunk to four, the support on issues like free trade of British Columbia's Social Credit party premier, Mr Bill Vander Zalm, and Quebec's nominally Liberal Mr Robert Bourassa, should often effectively swell the ranks to six.

Also working in the federal Conservative Party's favour are the doubts which still surround the challenges of both the ap-

parently high-flying Liberals and the NDP.

The decent but uncharismatic Liberal leader, Mr John Turner, appears to be fighting for his political life under charges of indecisiveness and amid worries that the unprecedentedly high levels of NDP support may prompt a polarisation of Canadian federal politics which risks leaving the Liberals for so long the natural party of government, out in the cold.

Doubts persist, meanwhile, regarding the true depth of support for the left-of-centre NDP outside its western Canadian heartland. There is too a lingering feeling, despite a clean sweep of summer by-election victories, that an appreciable proportion of those now pledging allegiance to the traditional third party of Canadian politics would get cold feet and revert to more tried and trusted alternatives in a general election.

The door there is still ajar for the Tories to stage a recovery before the next election falls due in September 1988. Much, however, depends on the public's response to the US trade deal.

While the latest poll indicates that initial reaction to the deal is, if anything, negative, the further two-point slump in the party's national rating masks a startling surge in its popularity in the Canadian west. Support for the Tories in the western provinces jumped nearly 10 per cent from the preceding month to 33 per cent. Both premiers Bill Vander Zalm of resource-rich British Columbia and Don Getty of oil-producing Alberta are strongly in favour of the US trade pact.

Venezuela bank chief to resign

By Joseph Mann in Caracas

MR HERNAN ANZOLA, president of Venezuela's Central Bank, has announced that he plans to resign after only 14 months in the post.

The normal term for a Central Bank president is five years. Yesterday two major Caracas daily newspapers reported that Mr Anzola was planning to leave the key Central Bank position. But reports yesterday suggested that President Jaime Lusinchi, who is responsible for naming the Central Bank chief, had not yet been informed of Mr Anzola's resignation.

In an interview published yesterday, Mr Anzola said he was not leaving the bank 'on the crest of any Government crisis', but that he wanted to return to a management position in the state-owned oil industry, where he has worked in the past.

Private sector sources said the Central Bank Governor was unhappy with his job due to frequent policy clashes with other members of the Government and with the business and banking community.

Prior to assuming the Central Bank presidency, Mr Anzola served the current administration as State Minister for Basic Industries and Vice-Minister of Energy and Mines. No one has yet been named as a possible replacement for Mr Anzola.

Battle over Peru's state takeovers

By Barbara Durr in Lima

PERU'S private insurance and finance companies yesterday shut down operations, giving their employees 15 days leave with pay, in a new tactic in their battle against nationalisation.

The Government said it considered the action a lockout which violated the labour code and warned it would fine each company \$2,500.

The companies said the forced holiday was to protect their employees in the event of a violent takeover by the Government. Hundreds of riot police seized Peru's top two banks and a finance company last week using tanks and tear gas.

The Banco Mercantil, which expects to be seized this week along with other banks, also gave its employees a 15-day paid leave starting last Friday. President Alan Garcia said at the weekend there would be no exceptions to the nationalisation law. 'The law must be obeyed, by God, because it comes from the people,' he said.

A public opinion poll showed that 63 per cent of those interviewed disapproved of the manner in which the Government has intervened in the banks, while 27 per cent approved.

Mexican maverick fails to win backing

By DAVID GARDINER IN MEXICO CITY

MEXICO'S independent Left, grouped largely in the Mexican Socialist Party (PMS), will almost certainly not back Mr Cuauhtemoc Cardenas in his maverick bid for the presidency announced last week.

Mr Cardenas, who has for more than a year led the reformist Democratic Current within the ruling Institutional Revolutionary Party (PRI), has alienated the PMS and many of his supporters by getting himself formally proposed as a presidential candidate by the so-called Authentic Party of the Mexican Revolution (PAREM), a tiny and discredited party sponsored by the PRI.

The main result of what had looked like the most serious challenge the 70-year-old regime had faced since the presidential elections of 1940, now appears as though it will lead to a further fracturing of the opposition to Mr Carlos Salinas de Gortari, the official PRI nominee to succeed President Miguel de la Madrid next year.

Mr Heberto Castillo, the respected veteran chosen by the PMS in primary elections as its presidential contender, and who had earlier offered to step aside for Mr Cardenas, has virtually dismissed any possibility of an alliance.

'In the end he was more concerned to preserve his candidacy than to resolve the problems of the country,' Mr Castillo concluded bitterly last week of Mr Cardenas, with whom he has been the joint curator of Mexico's left-wing nationalist conscience for decades.

Mr Cardenas, a former state governor and senator and son of President Lazaro Cardenas, had challenged President de la Madrid's right to hand-pick his successor and the austerity pol-



Carlos Salinas official successor

icies of the last five years, which have been particularly associated with Mr Salinas, the Planning Minister.

His calls for more democracy, and espousal of populist policies like a suspension of service payments on the \$105bn foreign debt rescheduled last year in Mexico's regime-dominated politics, causing disarray in the PRI leadership which twice tried to expel him.

But Mr Cardenas' decision to ally himself with the PAREM, and possibly two other PRI satellite parties, appears overnight to have frittered away the considerable moral capital his stance had built up. This is the more so since his candidacy was imposed within the PRI without consulting the rank and file and in a deal with party leaders which led to the expulsion of dissidents. This was exactly what Mr Cardenas had most criticised inside the PRI and what had led to his break with the regime.

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OVERSEAS NEWS

US group seeks to halt Botswana soda ash project

BY JIM JONES IN JOHANNESBURG

THE American Natural Soda Ash Corporation, a cartel of Wyoming soda ash producers, is trying to block development of Botswana's Sui Pan soda ash project. Agreement on Sui Pan's development was reached by the Botswana and South African Governments in Gaborone last week.

Mr John Andrews, Anasac's president, has written to most of the South African users of soda ash, the only feasible buyers of the Botswana product, saying that:

Botswana is politically a riskier source of supply than the US.

That the only successful soda ash production units established since 1974 were those based on trona (hydrous sodium carbonate) deposits in the US.

That the Botswana soda ash is likely to be far more expensive than American.

That the Botswana material is unlikely to be as pure as the American.

Paradoxically AECI, South Africa's largest diversified chemicals group is involved on

both sides of the equation. It plans to develop the Sui Pan deposits jointly with BP Minerals, and its Chemserve subsidiary has a bulk loading facility at Durban and imports Anasac soda ash. ICI, which has a big interest in AECI, imports synthetic soda ash into South Africa from Britain.

Mr Mike Sander, AECI's chief executive, says that Anasac's allegations are misleading. He believes the Sui Pan project is profitable at current soda ash prices and adds that if Anasac drops its prices to undercut Botswana, South African anti-dumping tariffs would be triggered. He adds that the Sui Pan project is as pure as any extracted in America and that common salt, an important chemical feedstock, will be a valuable by-product.

Mr Sander says that Sui Pan's production will simply supply South Africa's annual needs of about 300,000 tonnes of soda ash. He adds there is little point in exporting as world markets are over-supplied.



A Japanese farmer sizes up his crop

THE ANNUAL rice harvest on the rich Niigata plain is almost over and here, as elsewhere in Japan, the news is very bad: another bumper crop has been brought in.

It goes on like this, one year in three we will not have to produce any rice at all," says Mr Koichi Hara, president of the Nihon (agricultural co-operative) of Shirohara City in Niigata.

Excess rice production is the latest problem to emerge in Japan's grotesquely distorted agricultural industry. This year, thanks in part to the Government's generous subsidies, rice production may reach 13.7m tonnes. Meanwhile, consumption, which is on a long-term declining trend due to Japan's growing affluence, will be only 10m tonnes.

Listening to some US critics of Japanese agriculture, it would be easy to conclude that this situation is out of control and getting worse. However, the clear impression gained from two days of talks with farmers and agricultural industry leaders in Niigata, one of Japan's leading rice growing areas, is that reform is on the way.

The Government is putting increasingly severe restrictions on rice production. In the last, beginning to cut support prices. Last July, for the first time in more than 30 years, the Government ignored the demands of the powerful farm lobby for the customary annual increase in the official rice price,

Japan faces reform in the rice fields

Ian Rodger visits Niigata prefecture and finds bad news for farmers in a bumper harvest

problems is the radical land reform programme carried out by the US occupation authorities after World War II. Under this programme, sharecroppers were given the opportunity to buy, at nominal prices, the land they had worked for generations. Most did so. Initially, the effects of the programme were very positive, contributing to the broad distribution of income and property ownership that helped Japan to rebuild its economy.

However, the proliferation of small family farms, exacerbated by split inheritance, has created a patchwork of tiny, inefficient operations. In Niigata, for example, the average farm size is only 1.21 hectares, and the Government considers anything over five hectares to be large. Mr Higuchi Mitsugu, a member of a five-farm co-operative that manages 15 hectares near Takai City, claims that their operation is about the optimal size for rice cultivation. "Our costs are about 20 per cent lower than they would be if we were farming on our own," he says.

Until recently, even the smallest farms were able to carry on, largely because of the Government's generous support

prices, which make Japan's rice prices about five times world market levels. The other key factor was mechanisation. Rice is a relatively undemanding crop to look after, so small farmers gradually found they had time to supplement their income with part-time jobs. In Niigata today, 94 per cent of farm households are classified as part-time.

However, the combination of enforced rice production cut-backs and the prospect of gradually declining support prices threatens to undermine this hitherto relatively stable situation.

Take the case of the Katagiri family, which owns one hectare of rice paddies near Shirohara City in Niigata. Mrs Yai Katagiri works the fields during the week while her husband drives a truck for a steel stockholder and her eldest son works in the local co-operative. They join her in the fields on Sunday and take their times in the spring and autumn. Until now, that routine has been enough to keep the farm going and to maintain a standard of living that is not far removed from that of their full time farmer neighbours.

But as the Government demands more severe rice production cuts, the pressure on the Katagiris grows. Farmers used to be able to offset the impact of the cuts by growing more premium strains that yielded higher prices. But that is no longer allowed. This year, the Katagiris have had to reduce their hectareage by 20 per cent and Mrs Katagiri has no doubt that the trend will continue.

Full time farmers have responded to this pressure by diversifying into other products, such as dairy cattle, vegetables and fruits, with some government aid. The Katagiris too have started a small orchard, but they quickly realised that fruit growing was much more labour intensive than rice.

Mrs Katagiri, who is 52, is not happy with her lot, but cannot see how to free of the tyranny of the farm. "I am too old to get a job, and renting out the land to someone else would not produce enough income for us to live on," she says. However, she knows that her children are unlikely to carry on. "They want to get out," she says fatalistically.

So far, the consolidation of small farms in Niigata has proceeded at a snail's pace. The total number of farm households has dropped from 194,237 in 1975 to 186,000 last year. If the Katagiri situation is typical, that means that within the next generation takes over control.

NZ imposes sanctions on Fiji

NEW ZEALAND said yesterday that it was immediately imposing a package of sanctions against Fiji in response to the country's change of status to a republic. Reuters reports from Wellington.

All military co-operation is ended and economic aid cut. New Zealand will also not renew in March an agreement under which it supplies the principal of Fiji's sugar. The loss of aid

and sugar supports will cost Fiji about NZ\$10m (\$4m) a year.

Mr Geoffrey Palmer, the acting Prime Minister, also told a news conference after a Cabinet meeting that the Government had asked Mr Rod Gates, the New Zealand High Commissioner, to return from Suva for discussions about other possible measures.

Mr David Lange, the Prime

Minister, is in Hawaii on his way home from a meeting of Commonwealth leaders in Vancouver.

The package of measures follows the second Fijian military coup led by Col Sitiveni Rabuka on September 25. Implementation had been postponed in the hope that Col Rabuka might be dissuaded from declaring a republic.

Malaysia plans a budget for growth

MALAYSIA, recovering from its worst recession since independence, is expected to announce increased public spending for 1988 after seven years of austerity, economists say. Reuters reports from Kuala Lumpur.

They say the 1988 budget, to be announced on Friday, will try to spur growth and tackle rising unemployment in the face of poor local investment.

"Our country is walking on one leg now. It has to depend on

public sector investment for faster growth if the private sector is not moving," said Mr Ismail Salleh, an economist with the Institute of Strategic and International Studies, an independent research group.

Malaysia's economy grew at a rate of 1 per cent last year after shrinking 1 per cent in 1986. The Government expects 1987 growth to be less than 2 per cent, but some analysts forecast it will be nearer 3 per cent as

prices for Malaysian commodity exports have risen sharply this year.

Malaysia, which became independent from Britain in 1957, is the world's leading exporter of rubber, palm oil, tin, semi-conductors and a leading producer of cocoa, timber and petroleum.

Unemployment is expected to reach 10 per cent in 1988 compared to around 9.5 per cent this year.

Canberra ousts Hungarian

A HUNGARIAN national was asked to leave this month for attempting to re-export sensitive computer equipment to Eastern Europe, the Foreign Ministry said yesterday. AP reports from Canberra.

Mr Geoff Leach, Foreign Minister spokesman, said Mr Gabor Klauka, son of the Hungarian Communist Central in Sydney, Dr Ferenc Klauka, was asked to leave after being given the results of an investigation conducted by the Australian Secret Intelligence Organisation.

Mr Klauka, 27, agreed to leave the country and departed on October 10, Mr Leach said.

Mr Allan Wright, the Australian Consul General in Budapest, said in a statement that information given to the Foreign Ministry concerned a scheme to re-export high technology computer equipment from Australia, through an intermediary, to an Eastern European country.

Laurel forges pact with opposition figure

MR SALVADOR LAUREL, Vice President of the Philippines, said yesterday that President Corason Aquino may not last his full term in office if she "makes mistakes left and right". AP reports from Manila.

Mr Laurel also told a luncheon meeting with foreign correspondents that he and Sen Juan Ponce Enrile were supporting candidates in the January 18 local elections but not to oppose the president.

Reports of an alliance between Mr Enrile and Mr Laurel fueled speculation that conservative groups were organising an "alternative government" in case Mrs Aquino is toppled in a coup. He term expires June 30 1992, and she is barred constitutionally from seeking re-election.

"I think a great deal will depend on how she handles the situation right now," Mr Laurel said. "If she makes the right decisions, decisive moves, I think



Laurel: "Military problem"

she will last the measure of her term. But if she makes mistakes left and right, she may not."

Mr Laurel said he hoped Mrs Aquino would succeed because "any failure on the part of this Government will affect everybody".

The vice president refused to go into detail about his criticism of Mrs Aquino's decisions. But he said the most pressing problem was dissent in the military, which has led to the series of coup attempts.

"I believe she has made some decisions or lack of it which have brought this situation to its present state," he said. "There are many problems now facing the nation... and the most important, most urgent and most critical problem we face is the military problem."

He said that as long as the military is disaffected, the Government cannot crush the Communist insurgency, restore law and order and revive the economy.

The vice president made his remarks one day after the Government said it had foiled a possible new coup attempt. Rebel troops believed linked to Lt Col Reynaldo Cabatuan stole an armoured personnel carrier from army headquarters and abandoned it about a mile from the presidential palace.

Col Cabatuan, in a press interview, denied he was involved in the theft, and Mr Teodoro Benigno, an official spokesman, said the incident may have been designed to embarrass the Government and its loyal security forces.

Pro-government troops have been on alert for weeks because of fears of a new coup attempt in the wake of the bloody August 28 attacks that left at least 53 people dead and hundreds wounded, including Mrs Aquino's only son, Benigno III.

Renegade officers have vowed to continue efforts to topple her Government, which they accuse of being soft on the Communist insurgency.

In a related development, the armed forces announced yesterday the firing of mutiny and other charges against 23 military officers and 17 enlisted men in connection with the August 28 coup attempt.

WORLD TRADE NEWS

EC pressed to probe Japanese plants in Europe

BY DAVID THOMAS

EUROPE's photocopying industry is pressing the European Commission to launch an anti-dumping investigation of the European plants of seven Japanese manufacturers using a controversial new trade law.

The law, passed in June and one of the toughest international trade measures, is designed to prevent Japanese companies avoiding anti-dumping duties by setting up assembly-only plants, known as screwdriver plants, in Europe. It allows duties to be extended to imported components.

The Committee of European Copier Manufacturers, representing Rank Xerox of the UK, Olivetti of Italy, Océ of the Netherlands and Telex of France, has now asked the Commission to launch an investigation of Japanese copier manufacturers using this law.

The complaint, which could deepen trade tensions between Europe and Japan, is directed against Canon plants in France and West Germany; Ricoh's British and French plants; Minolta, Konica and Panasonic plants in West Germany; Toshiba's French plant, and Sharp's British plant.

The European industry has told the Commission that these seven Japanese manufacturers have built extended or announced plans for assembly-only plants since the original anti-dumping case against imported Japanese copiers was lodged in July 1985.

As a result of that complaint,

the Commission imposed duties ranging from 10.1 to 20 per cent on imported Japanese copiers in February, having imposed smaller provisional duties in August 1986. If the new complaint was upheld by the Commission these duties could be imposed on imported components.

Rank Xerox said of the Japanese copier plants in Europe: "If you look at the numbers employed and the volumes projected, it stands to reason they can't be anything other than screwdriver plants."

As further evidence, the European industry has told the Commission that between 1985 and 1986 Japanese exports of copier parts went up a half to France and a fifth to the UK and West Germany. By contrast, Japanese exports of completed copiers to the European Community declined by a fifth over the same period.

The European manufacturers say that on present trends three-quarters of Japanese copiers sold to the EC will be assembled there by next year.

The Commission usually takes several months before receiving a complaint and deciding whether to launch a full-scale inquiry which can result in anti-dumping duties being imposed.

The only major investigation started so far by the Commission using the new trade law was one launched last month into six Japanese electronic typewriter plants in Europe.

Poles plan to widen joint venture law

By Christopher Sobinski in Warsaw

POLAND is planning to liberalise its 18-month old joint venture law, to allow Western majority shareholding and provide as yet unspecified tax and investment concessions, a Warsaw conference of the United Nations Industrial Development Organisation has been told.

The aim is to change the law by the middle of next year. Mr J. Janiszewski from Poland's Foreign Trade Ministry said at the end of the meeting that he expected some 15 joint ventures to have won official approval by the end of the year - there are now four in place.

These include a hotel project with Marriott of the US, and small ventures in the food and building materials sectors. The conference, which was the first of its kind to be organised by Unido in Eastern Europe, drew some 170 Western companies and banks to look at about 160 Polish company projects on offer.

At the moment Polish companies are primarily interested in joint ventures as a way of acquiring Western machinery and quelling Western machinery and easing bureaucratic and tax restrictions.

Ironically, Western companies fear the threat of bureaucratic interference should they go into a joint company. They are also concerned at the lack of provision for expatriating or even investing dirty profits and the requirement to resell a share of export earnings to the state.

China, with 2,000 joint ventures, has the most among Socialist countries, followed by Yugoslavia with 275. Within Comecon, Hungary is the leader with 100 such ventures, most of which were set up after regulations had been liberalised.

Alfa Romeo to send first cars to Japan

ALFA ROMEO, the Milan-based Fiat car maker acquired by Fiat last year, is to export 1,000 vehicles a year to Japan, Alfa Friedman reports.

The deal, with the Seibu group of Tokyo, represents Alfa Romeo's first sales into the Japanese market.

From next spring the annual export of 1,000 cars will feature four models.

CELLULAR TELEPHONE NETWORK

Europe-wide venture formed

BY DAVID THOMAS IN GENEVA

A EUROPE-WIDE joint venture to develop the operation of cellular telephone networks began to take shape yesterday, with the announcement of a collaboration agreement between Ericsson, the Swedish company which is a world leader in mobile communications, and Orbitel, the mobile communications company jointly owned by Plessey and Racal of the UK.

The Ericsson-Orbitel agreement is aimed at the pan-European digital mobile telephone system due to come into service in which is expected to generate orders running into

hundreds of millions of dollars a year.

Observers believe two broad joint ventures will be formed to tackle this new market: one based around Ericsson, the second based around Motorola of the US, the other leader in the present generation of cellular equipment.

The Ericsson-Orbitel agreement is likely to be extended to take in Siemens of West Germany and Matra of France, with whom Ericsson is already collaborating in mobile telecommunications.

The General Electric Company of the UK will also probably

be brought into Orbitel, and hence into the Ericsson-Orbitel venture, as part of the deal announced this month to merge GEC's and Plessey's telecommunications interests.

The Ericsson-Orbitel agreement has three main parts: the public exchange jointly developed by GEC and Plessey, into a cellular exchange. However, Mr Mike Pinches, Orbitel managing director, said yesterday work would continue on

adapting System X for cellular operation.

Orbitel and Ericsson will collaborate in developing components for cellular base stations, though both will continue to market their own base stations.

There is likely to be some agreement on the European markets Orbitel and Ericsson will concentrate on, though this has not been finally settled.

There may also be some further agreement on the development and manufacture of handsets for the new pan-European system.

Peter Marsh reports on satellite technology transfer barriers

China's long march into orbit

CHINA HAS to overcome the problem of the US Government's technology-transfer regulations before it can realise its aim of becoming the first country to launch a satellite on behalf of a Western company.

The country has a total of four outline agreements with US companies to launch a satellite with its Long March 3 rocket. It has marketed its services vigorously over the past two years, hoping to win orders as a result of the series of technical problems that have severely limited flights of Western launch vehicles.

Another possible difficulty is on a broader commercial front. Not all the companies which have placed launch reservations with the Chinese have the cash to start up their satellite services.

Only two of the four have finalised agreement on the purchase of the spacecraft they want lifted into orbit. In some cases, the process of buying the space vehicles involves tortuous negotiations with other companies which initially purchased the vehicles but which are willing to sell them off second hand.

The four concerns which have placed orders with China are Western Union, the financially-troubled telecommunications company Pan Am Pacific, a joint venture between the Pan Am airline and Johnson Geneva, a New York company; Dominion Video Satellite, a Florida-based company which hopes to start a direct-broadcast TV service, using satellites; and

Universal Satellite, a company based in New York set up by Mr Henry Schwartz, a telecommunications entrepreneur.

All the companies expect launching the Chinese, whose rocket services are marketed by a government body called the China Great Wall Industry Corporation, to be substantially cheaper than placing a comparable order with a Western company.

China's rivals in this respect are ArianeSpace, a French-based company which sells flights on Ariane, a West European rocket, and three US companies - McDonnell Douglas, Martin Marietta and General Dynamics - which are commercialising expendable rockets formerly operated by the US Government.

While the Western ventures plan to take satellites into orbit for \$40m to \$60m, China's launch price is expected to be as low as \$30m. The country is basing its commercial plans on its experiences of putting in space its own satellites, of which about 20 have entered the heavens.

The actual market for commercial launch services by 1990 will probably total about \$1bn, with ArianeSpace responsible for roughly half the launches. It recently restarted operations after a launch hiatus of 16 months due to an engine fault.

In most cases, the US concerns with launch reservations with China have made a small down-payment, normally \$100,000, with the bulk of the launch fee due to follow later. For all the planned Chinese

launches, which are due for the end of 1988 or in early 1989, the transfer of the satellites from the US to China has to satisfy US arms-control rules.

In each of the four cases, the State Department has still to state whether it will permit the transfer of the satellites to China. Mr Fred Knipp, assistant vice president for satellite services at Western Union, said: "We have applied for an export licence and we do not think it will be a problem."

Mr Knipp said that a flight on the Long March rocket offered his company "the best bet" for getting a satellite called Westar 6S into space in the foreseeable future.

Westar 6S was supposed to have entered orbit on a space shuttle in June 1988. The Challenger explosion in January of that year, which has stopped all shuttle launches until at least mid-1988, meant the satellite was taken out of the shuttle's payload schedule.

Mr Wang Lu, senior engineer at the China Great Wall Industry Corporation, said recently in London that he hoped the technology-transfer issue would not hold up launch plans. China has no intention to seek any patent or technical secret in the launch activities. We hope this point could be fully understood by the companies or governments of foreign countries."

A second company with a firm reservation to use a Chinese rocket is Universal Satellite. Here the position is complicated because the New York company plans to use the same satellite - Westar 6S - that is the

subject of the Western Union launch.

Mr Schwartz of Universal Satellite said he hoped to buy the vehicle from Western Union. Mr Knipp of Western Union agreed that discussions with Universal Satellite had taken place but that nothing had been agreed.

Dominion Video Satellite, meanwhile, plans to use the Chinese rocket to put the company's first space vehicle into orbit around the end of 1988, said Mr Robert Johnson, company chairman.

However, this depended, said Mr Johnson, on Dominion purchasing the satellite from another company, Comsat, an established US telecommunications concern. If the Comsat deal fails to go ahead, said Mr Johnson, Dominion would proceed with plans to buy two satellites from Hughes Aircraft, which would then be launched around 1991 with the launch vehicle as yet unspecified. The purpose of the China agreement is, according to Mr Johnson, to permit Dominion to start its satellite TV service, which is due to broadcast evangelical programmes 24 hours a day to all parts of the US, sooner than would otherwise be possible.

The final customer for the Chinese is Pan Am Pacific, started by Mr Michael Johnson, a former film producer (who is not related to Dominion's Mr Johnson). He plans to use the Long March vehicle to put into space a second-hand satellite he is in the process of buying for \$50m from a group of London insurance brokers.

Hong Kong Light Rail Transit System

THE Financial Times regrets that it was incorrectly reported on October 13 that a consortium of Australian companies led by Leighton Construction (Asia) had withdrawn from a contract to build the first phase of a light rail transit railway system in Hong Kong's western new territories.

The Leighton consortium won the contract to build the \$1,250m LRT system in July 1985 after a fierce international bidding contest. It bid in partnership with the Metropolitan Transit Authority (MTA) of Victoria, which operates Melbourne's light rail system, one of the largest in the world.

Under an ancillary contract, the consortium was to have participated in the construction and operation of an LRT terminal at Yuen Long but it has withdrawn from this contract following a three months dispute over the suitability of land to be used for the development which will include residential and commercial buildings.

The Kowloon-Canton Railway Corporation (KCRC), which is responsible for the LRT project, and Sun Hung Kai estate developers, plan to proceed with the project and a three month investigation has been launched into whether cavities discovered beneath the proposed site jeopardise the development.

Despite withdrawal from the terminal contract, the Leighton consortium will press ahead with work on the railway itself, and plans to complete work on schedule in the middle of next year.

Peking cuts trade deficit

CHINA cut its trade deficit for the first nine months of this year to \$2.7bn from \$8.9bn in the same period of 1986, the State Statistics Bureau reports from Peking. Reuters reports from Peking.

The bureau said that exports were up 23.9 per cent to \$26.5bn, while imports were down 3.8 per cent to \$29.2bn.

It added that the improvement was due to appreciation of the Japanese yen and other foreign currencies, rising oil prices and China's policies to encourage exports.

Trade with the Soviet Union was up.

Bonn and Moscow set to co-operate on reactors

BY DAVID MARSH IN BONN

WEST Germany and the Soviet Union have taken a further step towards joint studies of advanced nuclear reactors, with the signing of a cooperation accord involving Kraftwerk Union (KWU), the power-generating arm of the Siemens electrical group.

Experts from KWU and the Soviet Union will work during the next 11 months to examine concepts for high temperature nuclear reactors (HTRs) of 500 to 250 MW capacity. KWU said.

The accord is the latest move

towards possible joint Soviet-German development of HTRs, which offer advantages in terms of safety and reliability compared with the pressurised water reactors (PWRs) in widespread use and the world's largest.

The Soviet Union, which is searching to capitalise on foreign nuclear expertise in the wake of last year's Chernobyl mishap, is also exploring HTR technology with a rival West German industrial grouping led by the Brown Boveri engineering company.

OVERSEAS NEWS

US attack seen in the Gulf as an anti-climax

BY TONY WALKER IN DUBAI

IN THE Gulf, the US attack on an Iranian oil platform has proved to be almost an anti-climax. The region had been bracing itself for something more substantial.

Most speculation about possible targets had focused on the Iranian missile sites in the northern Gulf or one of the islands used as a Revolutionary Guards base.

The strike - by four US warships against Rostam oil platform, 200 kilometres south of Bahrain - is seen by Western officials and shipping sources in the region as a relatively restrained action. They say that it is hardly commensurate with the provocation of last Friday's missile strike against a US-flagged vessel in Kuwaiti waters in which 18 crewmen including the American captain were injured.

The US appears to have chosen Rostam because of its isolated location, its lack of protection and the fact that it can be

represented as a target of strategic value to Iran. The platform, which measures about 300 square feet, was used as a launching pad for helicopters, as a radar facility and as a base for Revolutionary Guards units. It has long ceased to have any value to Iran as an oil production facility. Rostam, together with the nearby Sassan platform, has been attacked repeatedly by the Iraqi air force, according to shipping sources.

Few observers in the Gulf expect the US action to stop conflict in the waterway. They see the attack more in terms of an interim measure. "Unless it stops them, they've got to take out the missile sites," said a Western official.

Gulf shippers don't expect the US attack to make much impact on traffic in the Gulf. It will be viewed, they say, as "more of the same." According to one source, the US warships demolished the platform with 1,000 rounds of five-inch shells, virtually obliterating the structure.

Operation may be bigger than Washington admits

BY RICHARD JOHNS

THE DESTRUCTION by US naval forces in the Gulf yesterday of at least one Iranian off-shore oil production platform was made to look a cautiously calculated response to the missile attack on a US-registered tanker in Kuwaiti waters last Friday. But the operation may have been bigger than admitted by Washington.

Production facilities hit by the US task force involving four destroyers, the USS Kidd, Young, Leefwich and Hoel - were said by Mr Caspar Weinberger, US Secretary of State for Defence, to be limited to the Rostam platform.

It was understood last night, however, that the neighbouring Sassan facility had also been hit. Western intelligence officials said that both platforms were loaded with tracking and communications equipment of crucial importance for the Iranian Revolutionary Guards at-

tempting to impede shipping traffic servicing Kuwait and Saudi Arabia.

Reports from the Gulf indicated that an attempt had been made to wipe out the whole complex of platforms around Lavan Island, which had a total production potential of over 200,000 barrels a day, or nearly one-tenth of recent Iranian output.

It was clear, though, that the US retaliation was aimed at wiping out bases from which the Iranian Revolutionary Guards have been mounting attacks on shipping bound for Arab ports in the Gulf.

Shipping executives in the Gulf said yesterday that the Rostam platform as well as Sassan, the latter an oil field straddling the median line with the United Arab Emirates, had also been the target of US attacks.

How the conflict developed

The following is a brief chronology of US/Iran conflict.

January 15, 1979. Shah leaves Iran after widespread riots and strikes, never to return.

February 1, 1979. Ayatollah Khomeini returns to Tehran from exile in Paris to a tumultuous welcome.

November 4, 1979. Iranian Revolutionary Guards invade the US embassy in Tehran, taking more than 50 Americans hostage.

April 25, 1980. Abortive American rescue attempt of embassy hostages in Iran.

September 26, 1980. Iraqi troops move into Iran. Full-scale war begins.

January 28, 1981. Iran frees 52 American hostages after 444 days in captivity.

October 23, 1983. Suicide truck bomb attack against US Marine base in Beirut. 241 Marines killed.

August, 1985. President Reagan verbally approves sale of weapons to Iran.

January 17, 1986. Mr Reagan signs secret authorisation for shipments of weapons to Iran.

April 15, 1986. US bombs Libya.

November, 1986. News of secret arms deals with Iran breaks. Lt Col Oliver North is dismissed. Admiral John Poindexter resigns.

January 27, 1987. Mr Reagan provides details of Iranian initiative. Admits to serious mistakes.

May 17, 1987. USS Stark hit by Iraqi missile in the Gulf. 37 crewmen killed.

July, 1987. US begins escorting re-flagged Kuwaiti tankers in the Gulf. Massive naval build-up begins.

July 28, 1987. UN Security Council calls for immediate ceasefire in the Gulf war and withdrawal to pre-war boundaries.

July 31, 1987. Riots in Mecca. 275 Iranian pilgrims die.

September 11-14, 1987. Mr Perez de Cuellar, the UN Secretary General, visits Baghdad and Tehran. Mid-September. Iraq resumes attacks on tankers, ending a 46-day de facto truce in the Gulf.

September 22, 1987. US helicopters rocket Iranian vessel caught laying mines north of Bahrain, leaving it "dead in the water."

October 8, 1987. US helicopters sink three Iranian patrol boats near Farsi Island in the northern Gulf.

October 16, 1987. Iranian Silk-worm missile slams into American-flagged Sea Isle City off Kuwait.

Bad blood between US and Iran

BY TONY WALKER

IF A book or television series comes to be written about America's tortured relationship with post-revolution Iran, it would be tempting for the authors to entitle it simply: Bad Blood.

It is hard to imagine a relationship between countries could have become so vitally unpleasant, and in some ways irrational.

Symbols play a role in perpetuating a cycle of hostility that appears at times without logic. Thus, in American eyes conditioned to a degree by television, Iran is ruled by a cabal of crazed mullahs. Iranians are told that their enemy is the Great Satan. Opposition to the ungodly US is one of the touchstones of the revolution.

At the entrance to the Ministry of Islamic Guidance, which acts as guardian for foreign journalists on assignment in Iran, lies have been laid on the floor depicting the American, Israeli and Soviet flags.

Callers are obliged, unless they wish to play hopscotch, to trample on these symbols. Needless to say, the US flag is placed in the centre and has suffered most wear and tear.

On the wall of the former US embassy in Tehran, known colloquially as the "nest of spies", posters and calligraphy denounce the "Great Satan".

While there is ample evidence that many Iranians are not much impressed by such crude propaganda, anti-American slogans still serve as a useful rallying cry for the revolutionary leadership.

Bad blood between Iran and the US is not simply, of course, the product of propaganda. Ever since the pro-American Shah of Iran was ousted in early 1979, relations have been deeply scarred.

Iran, in some way or other, has administered humiliations to successive Administrations. These provocations stretch in an almost unbroken line from the taking of US embassy personnel hostage in Tehran in 1979 to the Iran-Contra affair.

The former helped to destroy the Carter presidency. The latter undermined Mr Reagan's authority.

The holding of American officials hostage in Tehran for 444 days between November 1979 and January 1981 caused singular repugnance in the US. At most nightly television bullet-

ins about the fate of 52 Americans held against their will by Iranian militants helped to reinforce prejudices. The hostage crisis became a long American nightmare. An abortive rescue attempt which ended in flames and confusion in the Iranian desert in April 1980, and prompted the resignation of Mr Cyrus Vance, the Secre-

tary of State, added to the sense of frustration and anger.

The truck bomb slaying in October 1983 in Beirut of 241 American Marines by a pro-Iranian group further contributed to a state of almost unrestrained hostility between Washington and Tehran.

US officials in the region talk venomously of the role allegedly played by Sheikh Hussein Fadlallah in the truck bombing. According to the Americans, Sheikh Fadlallah blessed the bombers on the night before their fatal mission. In 1985, a massive bomb exploded near Sheikh Fadlallah's residence in Beirut. The CIA had sought to hit back using local assassins, and had failed in its objective.

On the Iranian side, recent US military action against it, culminating in yesterday's strike, will merely serve to deepen enmity. The conflict has now moved well beyond symbols and slogans. As long as the present Iranian regime survives, so, it seems, will an appetite for revenge. There is almost unlimited further scope for conflict in what has the makings of a long historical dispute.

Fadlallah: blessed bombers?

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On the Iranian side, recent US military action against it, culminating in yesterday's strike, will merely serve to deepen enmity. The conflict has now moved well beyond symbols and slogans. As long as the present Iranian regime survives, so, it seems, will an appetite for revenge. There is almost unlimited further scope for conflict in what has the makings of a long historical dispute.

Fadlallah: blessed bombers?

tins about the fate of 52 Americans held against their will by Iranian militants helped to reinforce prejudices. The hostage crisis became a long American nightmare. An abortive rescue attempt which ended in flames and confusion in the Iranian desert in April 1980, and prompted the resignation of Mr Cyrus Vance, the Secre-

tary of State, added to the sense of frustration and anger.

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Reagan keeps Congress informed

By Lionel Barber in Washington

A STRIKING aspect of the US naval attack against Iran which emerged yesterday was the degree of consultation over the weekend between President Reagan and Congressional leaders.

For a man who has made his political career attacking Capitol Hill, Mr Reagan has lately been careful to keep top Democrats and Republicans informed about Gulf operations.

Yesterday the chief White House spokesman Mr Martin Fitzwater said Congress would receive a formal report within 48 hours, as occurred after this month's US helicopter strike against Iranian gun boats in the Gulf.

Mr Reagan is trying to stave off Congressional pressure on him to invoke the 1973 War Powers Resolution Act, which sets a 90-day clock running after which Congress can withdraw US forces - unless it approves the troop deployment.

Mr Reagan, like the previous three US presidents, believes the act is unconstitutional and unduly restricts executive power in rapidly-moving military and diplomatic situations. He has argued that US troops are not deployed in an area of "imminent hostilities," and that the act therefore does not apply.

In the continuing absence of any form of congressional vote supporting the Administration's Gulf policy, President Reagan is straining the allegiance of Democrat and Republican lawmakers.

In the event of US casualties, both the President and the majority Democrats will have to choose whether to break this uneasy alliance and go their separate ways.

That would endanger the future of the US naval escort mission in the Gulf.

Kuwait seeks means to combat Silk-worms

KUWAIT HAS begun discreetly shopping around for an air defence system to combat Chinese Silk-worm missiles that are menacing ships in its harbour and, even more worrying for the Kuwaitis, threatening their huge oil installations, Tony Walker writes.

The missile attacks last Thursday and Friday on ships in Kuwaiti waters are forcing Kuwaiti officials to focus on the need for additional air defence measures. The attacks on shipping late last week followed similar incidents last month.

On September 5, a Silk-worm narrowly missed Kuwait's Mina al Ahmadi refinery and storage complex - one of the largest in the world. A missile strike

against highly inflammable propane gas storage tanks could cause an uncontrollable fire, threatening residents of a nearby suburb.

Kuwait is virtually defenceless against the Chinese Silk-worm surface-to-ship missiles, which carry a 600-kilogram explosive warhead, three times that of an Exocet.

A western official in Kuwait said that the Kuwaitis have been talking increasingly of the need for a missile counter-measures capability.

A representative of one western country with a sophisticated air defence industry said that while Kuwait had not yet made a formal request for assistance it was "not unlikely we'll

get that sort of request fairly soon."

He said that Kuwaiti officials were discussing openly the need for a system to combat the new missiles menace on the adjacent Faw Peninsula less than 50 nautical miles away.

Countries likely to be approached include Britain, the US, France or Italy. Kuwait's news agency, Kuna, reported that Sheikh Salem al-Sabah, the Defence Minister, met Rear Admiral Harold Berens, the commander of US forces in the Gulf on Sunday to discuss increased military co-operation. Sheikh Salem also had separate meetings at the weekend with the US and French ambassadors and the chief of the French air

force.

Diplomats in Kuwait report a mood of deep anxiety in the tiny emirate at recent developments. Iran began installing Silk-worms on Faw in the middle of the year. The first hint that Iran was prepared to use the surface-to-ship missiles against Kuwait came early in September when it launched three of them against the tiny emirate.

A representative in the Middle East of a company manufacturing electronic air defence systems said that acquiring an anti-missile capability was "very complicated and expensive." He said Kuwait would need a flexible anti-missile capability.



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551-600 5651-5700 7651-7700 9651-9700 11601-11700 11701-11800
651-700 6651-6700 8651-8700 10651-10700 11701-11800 11801-11900
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MANAGEMENT: Small Business

Remoteness is no barrier

Charles Batchelor visits companies in the sparsely populated Highlands and Islands

IF YOU HAD a choice of where to set up a company making fridges-freezers it is unlikely you would pick Castletown in Caithness, Scotland's northernmost mainland county. Castletown, a community of some 800 people, has no other manufacturing industry and is 200 road miles from the nearest large centres of population - Glasgow and Edinburgh.

Despite these drawbacks, Pat and Alex Grant have built their company, Norfrost, into what they claim is Europe's largest manufacturer of fridge-freezers. They currently turn out 190,000 a year, \$0.00 for export, and see a market potential for 600,000.

With anticipated pre-tax profits of £1.5m on sales of £10m in their current year, they are planning an Unlisted Securities Market flotation within the next 18 months.

The Grants have defied the disadvantages of their remote location through a combination of determination, ingenuity and a distribution operation managed with military precision. Much of the production line was designed and built in-house by Alex Grant. The company's machine shop can carry out most repairs but, just in case, the factory carries a 10-week stock of most freezer components. The transport fleet is worked so efficiently that the fridge-freezers in transport terms bulky air-filled boxes - can be delivered anywhere in the UK for a freight cost of just £2 each.

Norfrost overcame the disadvantages of its remote location largely because of the determination of the Grants to make a go of it in their own home town. But for locals without their drive or outsiders with no local commitment the Highlands and Islands can represent a forbidding business environment.

To help overcome this The Highlands and Islands Development Board, Britain's first development agency, was set up in 1965. It backed more than 1,500 companies last year with an average of £12,500 each in grants, loans and equity and can expect to write off about 2 per cent of those loans on projects which fail.

Few of these companies will ever match Norfrost in size but small-scale solutions offer the best hope for the region's scattered communities which have

seen the failure of larger, more ambitious projects.

The Board believes other sparsely populated parts of the world could benefit from its experience and recently entertained a delegation from Finland keen to see how it worked.

With just 365,000 people spread over half of Scotland's land area, Basking in the most thinly populated region in the European Community) the problems it faces are enormous. The cost of establishing transport and communications links within the area are high and once the goods have been produced there remains the difficulty of reaching even domestic markets several hundred miles away in south-east England.

Telecommunications links in the region need to be upgraded to take the data links required by many businesses and the Highland Board has been lobbying British Telecom for such improvements.

The board has had some success backing companies making small, high-value products such as the Wick, Caithness-based manufacturer of underwater cameras and military night sights, sees no disadvantage in manufacturing far from its customers. Transport costs form only a small part of its costs.

Based on an industrial estate next to Wick airport, Osprey can airfreight its equipment to customers around the world. But while it has no problem finding or training a high quality labour force of technicians and craftsmen, David Thomson, the managing director, acknowledges difficulties in attracting design engineers and electronics specialists so far north.

"We are the only company using those skills here so if people decide they don't like us after all, they have to go south again," he says. For this reason Osprey has established its design office in Aberdeen.

The sheer size of the Highlands and Islands and the development board's need to promote the whole area has meant it has felt unable to encourage clusters of, say, electronics companies in one area. It cannot recreate the conditions which have attracted many companies to Silicon Glen further south.

Nevertheless informal group-



Osprey's underwater camera (left) can be airfreighted anywhere in the world from its base next door to Wick airport, while the freight cost for Norfrost's freezers (right) to anywhere in the UK is £2

ings do occur. Gaeleef Research, which makes medical diagnostic equipment, and Diagnostics and Monitoring Systems, which designs equipment to predict breakdowns in industrial machinery, are within yards of each other on a small industrial estate in Dingwall near Inverness.

"We help out other electronics companies with components and so on," explains Ross Maxwell, a director of Gaeleef. Despite - or perhaps because of - the lack of an industrial tradition local small firms are strong in their praise of their labour forces. An important reason for this is the high level of unemployment, around 17 per cent generally and as much as 25 per cent in blackspots such as Invergordon - where an aluminium smelter closed in 1982 - and Fort William, where a pulp mill was shut down.

Zonal, a manufacturer of professional recording tapes, moved part of its operations from Redhill in Surrey to the shadow of the mothballed Invergordon smelter when it found it difficult to recruit more staff in the south-east.

Seven hundred people applied for the 20 jobs on offer, many of them "dramatically over-qualified," notes David Quinton, the general manager. The company expects to take on an extra 30 people by the year-end while more jobs should be created by the decision of Zonal's packaging supplier to open a factory nearby.

Wage rates in the area are not necessarily much lower than

elsewhere in the country. Zonal pays the same rate in Scotland as in Surrey while Norfrost says it pays its production line staff £140 a week, including bonuses, to match rates offered at the nearby Dounreay nuclear power station.

Dounreay has had an influence on the local business community in other ways too. A number of former technical and professional staff - including the founder of Osprey Electronics - have set up small businesses. "Dounreay is the nearest thing we have to a university in the Highlands," comments Bob Cowan, chairman of the Highlands Board.

An important factor for people who have set up businesses in the area is the quality of life. Zonal's David Quinton says his children get much better attention in the local school and he also feels safe letting them roam the local countryside. Before he was wary of letting them play in the street.

A number of local companies have been founded by incomers to the region who visited it on holiday and were impressed enough to come back to work. Gaeleef's Maxwell reports that his Japanese distributor brings his top salesman along for a few days' fishing and golf when he makes his annual visit.

Some companies, in fish farming or forestry products, have come to the region because of local raw materials. Highland Forest Products set up a plant near Inverness in 1983 to make wooden building panels for use in packaging and house construction.

Using a technique developed in the US the company is currently turning 160,000 tonnes of locally-grown Scots pine into board, which it believes will replace imported plywood as a building material.

Highland Forest Products required an initial investment of £12.5m - more than most local business ventures - and will need a further £17.5m to double production capacity over the next few years. The company was set up by an experienced management team which was able to raise funds from investors such as British & Commonwealth Holdings, 31 and the Scottish Development Agency.

Although some local small firm managers complain of the difficulty of raising funds, this is no more of a problem than it is for companies elsewhere in Britain. The Board attempted some years ago to set up a venture capital company but failed - because it could find no suitable ventures to back.

"Projects in the Highlands are too small to need venture capital money," says Cowan.

There appear to be no large-scale solutions to the region's economic problems. But, despite the difficulties which remain, the Board believes that support for small business has played a part in reversing a process of depopulation which had lasted for more than 100 years.

Highlands and Islands Development Board, Bridge House, 27 Bank Street, Inverness IV1 1QR. Tel 0463 234177.

A creditable performance

Charles Batchelor explains how a young ballet company is building up its commercial reputation

WHEN THE company Janet Lewis worked for was faced with closure, she decided - like a growing number of enterprising employees in a similar position - that she would try and make a go of it herself. By slimming down the operation it could be made to pay, she felt.

Her problem was that, unlike many more conventional businesses, there were limits to running a ballet company on a shoestring. But, despite the obstacles, Lewis has, over the past three years, created a viable business out of the near-collapse and has ambitious plans for growth.

She was thrust into a business career when the Adeline Genee Theatre in East Grinstead, Sussex, decided it could no longer keep up its loss-making Genee Ballet offshoot, where Lewis was artistic director. The ballet company had reduced its size from some 30 to just 10 dancers to cut costs but its policy of commissioning modern works imposed a heavy financial burden.

Lewis decided to run her ballet as a touring company with just seven dancers, one musician and two stage crew. It sticks to mainly classical works which are cheaper to produce and for which there is an established audience.

The Lewis London Ballet Company tours the country presenting full-length ballets such as The Nutcracker as well as evenings of shorter pieces. It is the smallest and youngest of the eight professional ballet companies in Britain.

From an early stage Lewis and her main partner in the venture, Alan Watson, a dancer with the Genee Ballet, realised they needed professional advice if their venture were to succeed. They began working through the Yellow Pages entry for marketing consultants until they came to Rhys Jones Marketing, a small consultancy in Greenwich, south-east London, which specialised in developing new technologies and new ventures for industrial clients.

"I told them I didn't think I could help but they said that everyone else had told them that," recalls Rod Rhys Jones. Initially reluctant, Rhys Jones says he was impressed by the commercial approach Lewis and Watson had already taken. "They already knew the answers to questions like how many venues around the country would be suitable for their company."

Nevertheless, he did advise them to sell themselves to provincial theatre managers on their commercial as much as on their artistic strengths.



Janet Lewis and Alan Watson: to introduce a profit-sharing scheme

After a difficult start - the company's scenery lorry broke down, almost bankrupting the venture - audiences have built up and theatre managers know they have an evening that is popular with the public.

Turnover is expected to rise to between £25,000 and £30,000 in 1987 from £55,000 last year. It moved in to profit at the end of last year but invested the surplus in its new production of The Nutcracker.

Company members are not yet earning what they could with a more established troupe, but Lewis is confident they will do so in two to three years' time when there is a profit-sharing scheme in place.

Like the other smaller ballet companies, the Lewis London gets no Arts Council backing. Lewis says she does not want to depend on a subsidy which would be vulnerable to Government cuts and since the company is now making a small profit it would anyway not be eligible.

It has been looking for sponsorship though and the Woolwich Building Society funds the printing of programmes. Plans for the future are ambitious and include the sale of videos of performances, increased front-of-house sales, a practice studio which might grow into a ballet school and Continental tours.

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For further information contact: David Webster or Neil Ankers Arthur Andersen & Co., Bank House, 9 Charlotte Street, Manchester M1 4EU. Telephone: 061-228 2121. Telex: 668898.

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- * Turnover £1.8 million per annum.
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For further details contact: AJP Sheehan or JM Graham at: Price Waterhouse, York House, York Street, Manchester M2 4BB. Tel: 061-228 0547. Telex: 668361. Telefax: 061-228 1423. Or at WFJ Refractories Limited, Tel: 0544 526666. Telex: 017605.

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Fax: 0734 508166
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Jane Rippeteau reports on the growing potential for marketing information

WHEN THE Penguin publishing group bought Thomson Books in 1985, Francis Bennett, head of the house that included such premier imprints as Michael Joseph and Hamish Hamilton, decided not to stay. "If you've been a group managing director," he says, "it's impossible to work for somebody else."

Besides, Bennett had an idea. From his career in book publishing, he believed there was an unfulfilled need among book buyers. "There's a change in the demands of people who buy books," he says. "They want not just a publishers' catalogue. They want to scan across a whole range of publishers, with a description of contents and in precise subject areas." He saw the greatest need among foreign book buyers, who spend 25% of the UK's £2bn in book sales.

Today, Bennett is on the verge of joining the thousands of hopefuls who have struggled to launch successful electronic databases. With Book Data, an electronic bibliographic service which begins operations early next year, he is also among several traditional publishers in the UK who are attempting to fashion ways of repackaging and reselling their information electronically.

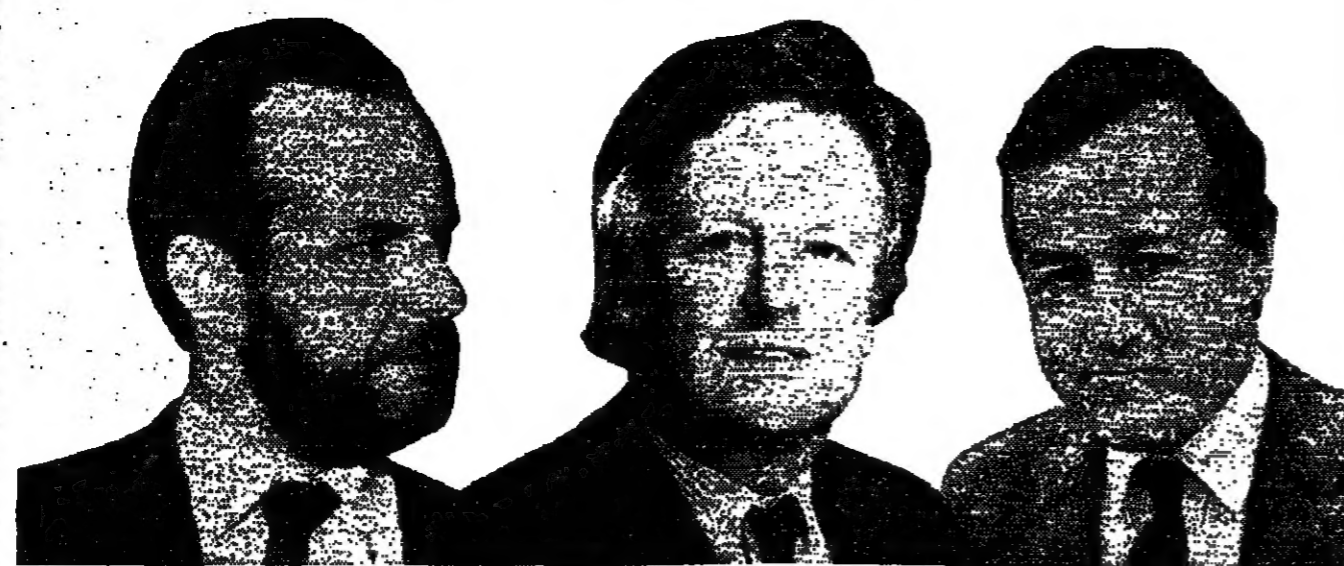
"The arrival of electronic processing into publishing has hyped up the information industry," says David Worlock, a former executive at International Thomson, who in 1985 founded Electronic Publishing Services, a London consultancy. "Investors," he adds, "see electronic information as a much more tradable commodity."

Indeed, Bennett was able to attract venture capital backing from BBHQ, a joint firm set up by Baring Brothers and Hambrecht & Quist. BBHQ's Jeremy Brasington says that the ability, through electronics, to make new use of existing information will lead "more and more to the exploitation of databases in a number of quite mature marketplaces."

Bennett is aiming to have 150,000 titles on his database at its launch. Details on book price and availability will be regularly updated. And, he says, "every time there will be a search criterion. If somebody wants to know all the books with chapters on a particular topic, costing between £10 and £15 and published in paperback in the last six months, we can do it."

He says this is possible because the system uses flexible, relational database software.

Thirty-five publishers or publishing groups are already committed to listing their titles on Book Data. The head of one of them calls it "one of the most refreshing ideas to come through British publishing." Brasington says: "There is a gap that's going to be plugged. This gives consid-



Three executives in the database race: David Worlock, Francis Bennett and Michael Tobert

Publishers' wares peddled at a keystroke

erably easier access to data for buyers and gives publishers an increased marketplace for their products."

Bennett says he initially expected the bulk of his customers to be foreign buyers, who supply libraries and retail outlets and need to know about the availability of new UK books. To his surprise, domestic interest from major booksellers and the big chains has been much higher than anticipated.

In addition, publishers say they are interested in the database as a way of doing searches on what books are already out on subjects under consideration.

For new titles, Bennett will charge publishers 25 for each listing up to the first 100. After that, prices drop and back-listed titles cost even less. Prices for customers - retailers, library suppliers and foreign book importing companies - are about to be announced. Initially, the database will not be on-line, that is users will not access it directly. Instead, Book Data staff will research subscribers' requests.

More experienced in the tricky business Bennett is about to enter is Michael T. Tobert. In 1982, Tobert founded a publication in St. Andrews, Scotland, dealing with the problem of transferring ideas from UK universities into the industrial sector for commercial purposes.

Spurred by government studies supporting the idea of a database, Tobert got involved in developing a product called BEST, for British Expertise in Science and Technology. In

1985, his company, Cartmill, was bought by UK educational publishers Longman and, in 1986, with Tobert now managing director of Longman Cartmill, BEST was launched.

The service lists research in UK universities, polytechnics and institutions. Tobert believes that so far he has covered about two thirds of all projects under way in the core sciences. He will not specify how many subscribers he has to date, saying only that demand has grown very encouragingly. At the Science and Engineering Research Council, which supplies information for the service and also became a user this year, Mel Veal, head of research grants in the finance division, praises the service: "It makes it easier for people to find out what work is done where, and to place their hands quickly on the expertise in the UK."

Setting up a knowledge store

THIRTY FIVE publishers have banded together with the intention of starting an electronic database service, called Knowledge Warehouse, that would capture and store in a digital CD-ROM memory the content of all their books on scientific, medical, legal and other "knowledge" subjects.

With the advent of electronic publishing systems, more than 80 per cent of such non-fiction books are in electronic form at some stage of production, according to Robin Williams, project director. Normally, however, this electronic resource is discarded once the book is published. Williams says: "We want to keep this archive for posterity." He also believes it could provide "materials for entrepreneurial activity" in repackaging the information for new markets.

The group is finalising initial funding.

Tobert has been confident enough with the project to launch a follow-on database that will list several thousand university PhD and post-doctoral scientists working in the UK. He expects the service to have a market among industrial companies seeking to hire individuals with particular expertise. A pilot launch was a hit. "If the response so far is anything to go by, I think it will go an absolute bomb," he says.

Still, the electronic database business remains a tricky one. Tim Rix, chairman and chief executive of Longman Holdings, says of the BEST project: "We approached this with a lot of caution. It got off to a slow start but no slower than planned for."

A slow start has plagued most of the several thousand electronic databases estimated to be in operation worldwide. Of the total, most of which are in the US, a small percentage account for the lion's share of revenues, according to Martin Brooks, director of information services for the Financial Times Business Information company.

"Very few are money-spinning," says Brooks. Pitfalls include a lack of market focus and underestimating the costs and complexity of getting information from those who own it.

Brooks's activities expanded recently when the Financial Times bought from Thorn EMI one of the largest UK databases, Datasolve Information Online, for £10m.

Executives involved in the electronic database business emphasise that picking niche markets that fulfill a real need can be the key to success. Tobert, of Longman Cartmill, points out that his UK research-locator service can be an alternative to a company having "to hire somebody to wander around Britain" to find out what is going on.

He says the service has already generated interest among US customers and that he is in discussion with an American university about setting up a similar database for the school.

Done well, electronic databases have a built-in profit advantage, says Worlock of Electronic Publishing. Once information is captured electronically, "it is saved, researchable, retrievable, manipulatable information. There are all sorts of ways of getting new value out of one piece of knowledge. The book outcome is only one outcome."

Car mirror

A glaring gap

BY JOHN GRIFFITHS

TWENTY-SEVEN young Scots, many off the dole queue, have begun producing in a job-starved Greenock one of those seemingly simple motoring innovations which, if vehicle makers think it worthwhile, might just earn its inventor a fortune and put many more in work.

Former welding inspector Tony Stewart says he conceived the idea for his electronically-controlled, automatically-dipping, anti-dazzle rear view mirror more than six years ago, after one long, nocturnal trip too many along a rain-lashed motorway.

What is being marketed as the "Eclipse" mirror dips or undips through a six-degree arc in one-tenth of a second after being triggered by a light-sensitive cell in the dipped mode, it reflects to the driver's eyes only 4 per cent, not the usual 97 per cent, of headlights up to 150 yards behind.

Its sensitivity can also be adjusted so that, in well-lit city streets, it will not oscillate itself into premature failure.

Stewart says he thinks the dazzle problem has become greatly exacerbated in recent years by the introduction of quartz halogen lights which can be anything up to ten times brighter than the old tungsten filament systems charged by dynamos.

His mirror can be wired into a car's own electrical system - off the interior light, for example - but also has as standard its own small battery pack which fits unobtrusively to the rear of the mirror and which is said to last up to four months before the batteries need replacing. The mirror replaces the car's standard fitment and is fixed by an impact adhesive pad to the windscreen.

The next task for Stewart Automotive, housed within a small plant rented from the Scottish Development Agency in an area where youth unemployment has hit 60 per cent, is to convince motorists that the innovation is worth paying the recommended retail price of £29.95.

Stewart's own estimate is that sales, currently, planned through aftermarket outlets and mail order catalogues, will reach 100,000 units by the end of August next year. The current factory is being doubled in size, and Stewart forecasts that the company will be employing about 40 people by Christmas.

Stewart Automotive was set up in July last year, and is owned by Stewart and a dentist neighbour.

It is currently producing 600 units a day with a work force made up primarily of 18-20 year olds, some of whom had never worked since leaving school.

He accepts that real success will come if car makers start lining up to install the mirrors as original equipment. Tentative approaches have been made, but it is accepted that appraisal by volume manufacturers can be a very lengthy process.

Stewart reckons it has cost £70,000-£80,000 to bring the mirror into production. The circuitry is to his own design, but using small electric motors and microswitches sourced from the Far East.

Apart from the low rental factory from the SDA, the company has received "a small amount" of regional aid, according to Stewart.

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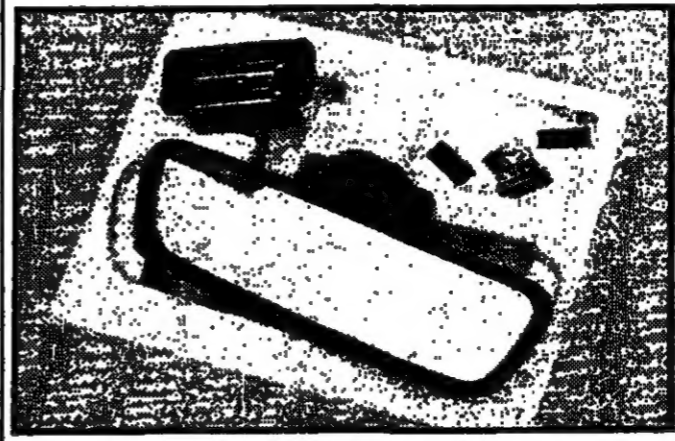
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The Stewart Automotive anti-glare reflector

The good news is
FERRANTI
Selling technology

Manufacturing a greater influence

IN THE belief that previous conferences on advanced manufacturing have not been sufficiently influential and have produced inadequate levels of action, a group of European academics and industrialists are to meet in London next year (January 12 to 16) for a "top level industrial summit" called New Manufacturing Imperatives.

The group plans to hold a series of presentations and working sessions for delegates to the conference. John Banham, director general of the Confederation of British Industry, will take part alongside a dozen professors and directors of research and marketing. Group discussions will make use of screen-based information systems.

It is planned that the event will be held annually and will develop lobbying initiatives so that governments can be influenced. A particular focus will be on the means by which European industry can be made to operate in a more cohesive way to counter competition from Pacific Basin companies.

The entrance fee to the conference is £2,000. New Manufacturing Imperatives can be contacted on London, 789 1004.

Destroying a sea of pollution

ACCORDING TO Interox Chemicals of Warrington in the UK, coastal sewage pollution in Britain and elsewhere could be quickly alleviated by using "a safe and inexpensive" chemical already well tested in the food, brewing and dairy industries.

Interox's Oxymaster system uses a derivative of hydrogen peroxide, a substance mainly known for its industrial and domestic bleaching properties. Oxymaster has been successfully tested in both coastal and inland sewage works.

The system destroys harmful bacteria and viruses in untreated sewage before discharge and eliminates offensive smells. But it is harmless to fish and all marine life because it is fast acting and soon breaks down into oxygen and water.

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APPOINTMENTS

Gartmore chairman

Mr Paul Myers has been elected chairman of GARTMORE INVESTMENT MANAGEMENT, a subsidiary of British & Commonwealth Holdings, in addition to his current role as chief executive. As a result of the intended integration of Oppenheimer Fund Management with Gartmore Fund Managers, Mr Peter Goldie, chief executive of B&C, Mr Don Spira, chairman of Oppenheimer Management Corporation of the US, and Mr Martyn Page, formerly investment director of Oppenheimer Fund Management, are joining the Gartmore board. Mr Page will be responsible for the management and development of Gartmore's investment trust business. Mr Goldie and Mr Spira will be non-executive directors. Mr James Hakkam and Mr David Stevenson (members of Gartmore's international investment team) and Mr Steven Murray, formerly administration director of Oppenheimer Fund Management, have been appointed to the board of Gartmore Fund Managers. All these appointments are from November 1st as a result of the Caledonia scheme of arrangement. Mr Charles Coyer and Mr Michael Wyatt have resigned as directors of BRITISH & COMMONWEALTH HOLDINGS. Mr Eddy Ashman has been appointed to the board as group finance director. He was finance director of Abaco Investments, and will replace Mr Geoffrey Adkin who has retired. Mr Paul Redcliffe has been appointed group treasurer. He was group treasurer of Mercantile House Holdings.

Mr Tony Scurr will be appointed deputy chief executive of ALFRED McALPINE and chairman of ALFRED McALPINE MINERALS on October 31. HAZLETON UK has appointed Mr John Frouman as director, chemical and medical sciences. He was research director at Hoechst Pharmaceuticals (UK).

Mr Michael Hawkins, formerly manager of E.W. Payne Scandinavia, and director and divisional director of E.W. Payne (International), is joining the board of WELL MARINE REINSURANCE BROKERS. Professor John Frowes-Williams has been appointed a non-executive director of VSEL CONSORTIUM. He is professor of engineering (accounting) at Cambridge University, and chairman of Topexpress, a company which was acquired by VSEL last August.

Mr Kevin Girdwell has been appointed managing director of WEIR MATERIAL SERVICES, a new company set up by the Weir Group to market duplex stainless steel. Mr. He was

with Mather and Platt Machinery.

Mr Andrew Martyn has been appointed an assistant director of STANDARD CHARTERED MERCHANT BANK, responsible for the bank's hotel advisory service. He was a director of London and Metropolitan Project Management.

SIMON ENGINEERING has appointed Mr W.A. Gilly as chief executive officer of its US subsidiary Geo-Search Corporation, Midland, Texas. He was chief financial officer.

Mr Jack Springford has been appointed managing director of JARVIS MILTON KEYNES. He was managing director of Harpenden Building Contractors.

TILBURY CONSTRUCTION has appointed Mr Tony Davies as director and general manager of its central building division.

MAJESTIC WINE has appointed non-executive director Mr Frank Berger as vice-chairman and joint chief executive of Majestic Wine Corporation with responsibility for US purchasing. He was president of the House of Seagram. Mr Christopher Townsend becomes managing director. Mr Ian Barry is made group finance director.

CROWN FINANCIAL MANAGEMENT has promoted Mr Alan Twigg to the post of appointed chief actuary. Mr Bruno Geiringer becomes company secretary and compliance officer.

C.T. BOWRING & CO has made the following appointments: at Bowring Marine & Energy Insurance Brokers - Mr J.F. Hyde (executive director), Mr E. Vaughan, Mr E.L. Holland, Mr W.T. Harvey, Mr P.R. Holaday, Mr C.R. Bowring, Mr A.W. Hall, Mr J.M. Howe, Mr J.M. McGarry, and Mr A.P. Newman (directors). At Bowring Aviation - Mr J.C. Vicars (executive director), Mr J.E. Stood, Mr S.R. Wilkinson, and Mr P.E. Westland (directors). At C.T. Bowring & Co. (Insurance) - Mr J.A.T. Rydall, Mr R.B.J. Fenn, Mr P.A. Ismail, Mr D. Kelly, Mr P.A. Norman, Mr E.L. Price, and Mr T.E.J. Fring (directors). At Bowring London - Mr D.W. Ingram (director), At Bowring Eastern - Mr J.K. Fallick (director). At Bowring M.E. - Mr J.M. Hall (director).

Following the management buy-out at DON REYNOLDS, Mr Don Reynolds heads the group with Mr John Macanegara, previously a main board director at Alfred Samuel & Sons, its new group financial director.

FINANCIAL SERVICES

James Buxton interviews the head of a financial enterprise

The special case for Scotland

"ONE OF the flaws in the Scottish character is this expectation that we will be treated specially," says Professor Jack Shaw, who enjoys a degree of special treatment. I argue that we need a degree of special treatment - but not to the extent that people expect."

To manage a Scottish pressure group and yet oppose many forms of special treatment for Scotland requires unusual gifts of self-denial - or canniness. Prof Shaw, who runs Scottish Financial Enterprise, an organisation formed last year to promote Scotland's financial services industry, has an original combination of views.

He is an accountant by profession, and moved to SFE from being senior Scottish partner of Deloitte, Haskins and Sells. He has also been part-time professor of accountancy at Glasgow University. He has swapped the relative certainties of accountancy for a less structured life of lobbying, making speeches, organising events and trying to sell the concept of Scotland as a financial centre.

SFE was born out of anxieties about Scotland's financial institutions - its banks, fund managers, life assurance companies and others - were too little known outside and even inside Scotland and risked being squeezed off the map in the wake of Big Bang.

Since then, however, Scotland - particularly its fund managers - has actually benefited from its detachment from the post-Big Bang City of London. Some 280bn of funds is under management in Scotland, and thanks in part to SFE, its financial services industry is better known outside Scotland.

Yet in trying to promote Scotland, Prof Shaw has had to face the obstacle that it is not perceived as being a significant part of Britain. Its significance, he thinks, is undermined by the concentration of decision-making, talent and wealth in the south-east of England.

The issue was starkly brought home to Scots last year by the takeover of Distillers - Scotland's biggest company - by Guinness.

Although Mr Ernest Saggadah, then chairman of Guinness, promised during the takeover battle to move its headquarters to Scotland, he soon backtracked and Guinness confirmed recently that it was staying in London. But that set Scots debating how to persuade companies to move their headquarters to Scotland, and how to retain existing Scottish companies.



Jack Shaw: Scottish companies are growing

Earlier this year Prof Shaw briefly floated the idea of trying to persuade companies to move their headquarters north of the border almost irrespective of where the bulk of their activities lay - mainly to find a more detached atmosphere for decision-making. He now admits: "It's almost a hopeless battle to expect business to relocate their headquarters into any particular region."

But he also rejects the idea - frequently mooted north of the border - that to keep Scottish companies headquartered in Scotland, they should enjoy extra protection against takeovers by non-Scottish companies through automatic referral to the Monopolies and Mergers Commission, or even the creation of a Scottish Mergers Board.

He says: "Mergers on the whole enhance the effectiveness of the business community and you replace weak management with stronger management." The loss of company headquarters with the ability to decide their own future is serious, he says. "But what's encouraging is that those companies whose headquarters we still have are actually growing quite well - a higher proportion of Scottish companies are growing

ternationally would know where Scotland was, would be in Scotland frequently and by being here would understand some of the difficulties. They might even relocate in Scotland themselves."

At the moment, he says, people go to them, they do not come here. "The shuttle is used more for taking senior Scottish businessmen out of Scotland than to bring senior business people from the south into Scotland."

But surely if it is difficult to get a company to move its headquarters here is not it even more difficult - even Utopian - to expect the Government to move part of its own headquarters?

"I don't agree with that. It's difficult to get businesses to move because of their commitment to commercial criteria. Government has to consider non-commercial criteria."

This policy is not, he says, an official goal of SFE and he has not yet formulated a firm proposal. "But if we can't find some means in the course of the next four years of exploiting this Government's strengths, we are going to have a very hard row to hoe. The flywheel is spinning so fast in one direction that we need a lot of help to make it stop."

Wouldn't the idea of a Scottish Assembly, now espoused by the Labour Party and widely supported elsewhere, give Scotland decentralised administration?

"The trouble with a Scottish Assembly is that you don't actually add to your significance, that way," says Prof Shaw. "It would actually reduce our significance as viewed from London. UK ministers don't always pay a lot of attention to Scottish issues even when they have direct responsibility for them, because they say: 'Well there's the Scottish Office.' Devolution would simply take that a step further. It would accelerate the migration from Scotland of corporate decision-making."

But wouldn't a Scottish Assembly stimulate the return of expatriate Scots who have been forced to seek their fortunes elsewhere?

"To do what in Scotland? They are where they are, in London or Paris or wherever, to feel that they are playing on a big pitch. If we had an assembly they would just say: 'Don't worry me, you've got your ball, go and play on the back pitch.' I'm staying in this big game here."

For Prof Shaw it will take something more radical than a Scottish Assembly to bring them back.

Swire Pacific Limited

Interim dividends for 1987
Scrip Dividends

The average closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited for the five trading days up to and including 16th October 1987 were:

'A' shares	HKS
'B' shares	4.81

In a letter to shareholders from the Chairman dated 8th September 1987, it was announced that the directors had declared interim dividends on 28th August 1987 in respect of the year ending 31st December 1987 of 19.0¢ per 'A' share and 3.8¢ per 'B' share and that the directors had resolved that, as to 18.0¢ per 'A' share and 3.6¢ per 'B' share, these dividends should take the form of scrip dividends to be satisfied by the issue of additional 'A' and additional 'B' shares respectively, but that shareholders should be able to elect to receive these dividends in cash in respect of all or part of their shareholdings, and as to 1.0¢ per 'A' share and 0.2¢ per 'B' share these dividends would be paid in cash to ensure that the shares of the Company continue to be Authorised Investments for the purposes of the Trustee Ordinance (Cap. 29, Laws of Hong Kong). It was further announced that entitlement to fractional shares would be disregarded and the benefit thereof would accrue to the Company.

Applying the average closing prices noted above, the number of new shares which shareholders will receive in respect of their existing shares for which elections to receive cash are not deposited with the Registrars in Hong Kong or with the Registrars' Agents in the United Kingdom by 23rd October 1987 will be calculated as follows:

For 'A' shares:				
Number of new 'A' shares to be received	=	Number of existing 'A' shares	x	0.18
				26.80
For 'B' shares:				
Number of new 'B' shares to be received	=	Number of existing 'B' shares	x	0.036
				4.81

and will be rounded down to the nearest whole number of new shares, fractional entitlements being disregarded. The new shares will rank pari passu with the existing shares of the Company except that they will not rank for the interim dividends in respect of the year ending 31st December 1987.

Certificates for the new 'A' and 'B' shares in respect of the scrip dividends, together with the dividend warrants in connection with the cash dividends of 1.0¢ per 'A' share and 0.2¢ per 'B' share, will be despatched to shareholders on 30th October 1987.

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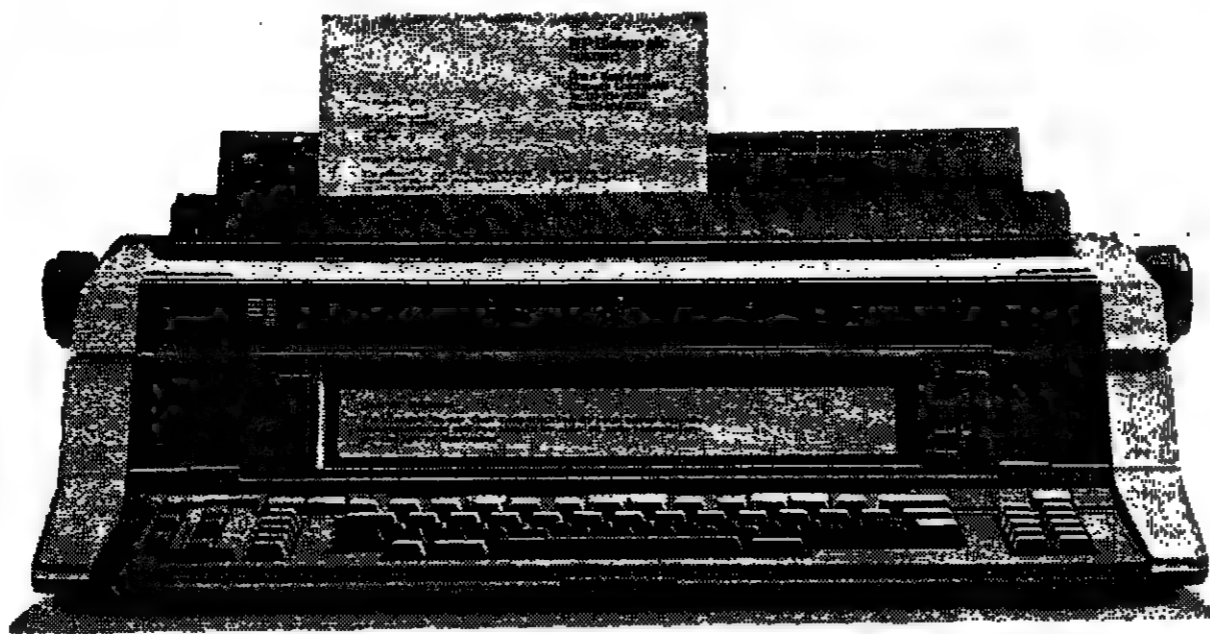


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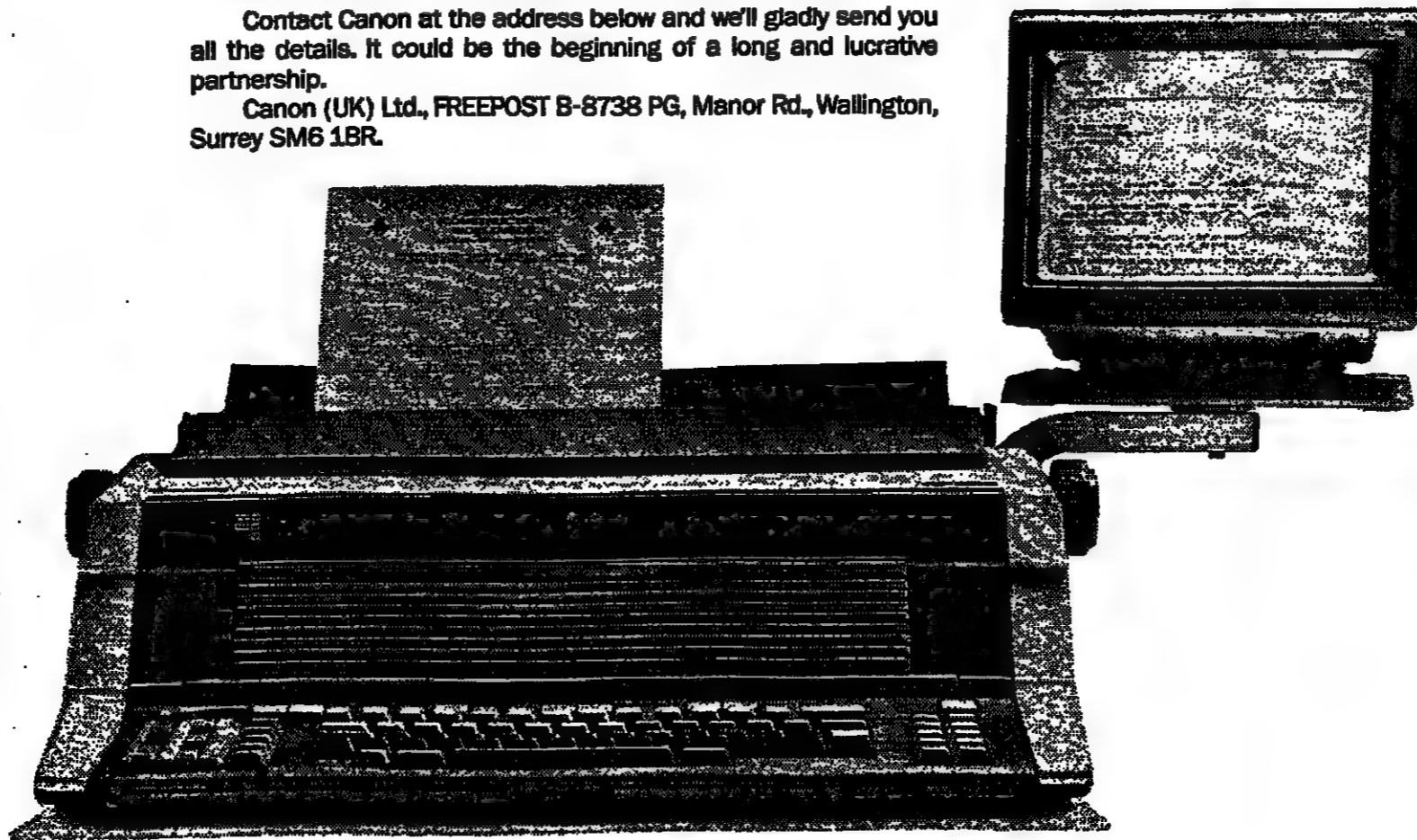


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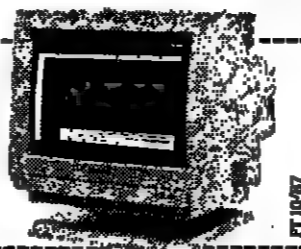
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PHILIPS

OVERSEAS NEWS

Malta moves to attract more foreign investment

MALTA is opening its doors wider to foreign investors in an attempt by the new Government of Dr Eddie Fenech Adami to stimulate the growth of service-orientated industries.

The Government has devised a plan which will be put into effect next year to market Malta's potential as a site for foreign funds and to promote its relative advantages over other Mediterranean islands such as Gibraltar and Cyprus.

International banks, insurance firms, trading outfits, trust holders, company and ship owners have been targeted as ideal suitors for Malta's upcoming role as an offshore base, situated halfway between Europe and Africa.

Twenty of the world's top accountancy firms and banks, including Chase Manhattan, Morgan Grenfell, Lazard Freres, Hill Samuel, Phillips and Drew, Peat Marwick and Price Waterhouse, are competing to be appointed consultants. Each will try to identify investment areas most suitable for Malta.

The company submitting the most convincing proposals will advise a broad-based public and private sector committee, headed by Dr Joseph Fenech, the Parliamentary Secretary who has argued strongly for the encouragement of foreign investment.

"I am more than ever convinced now we are on the right track. When we were still on the opposition benches, I used to be laughed at everytime I mentioned offshore activities as an untapped source of considerable income."

"Now I am certain this can substantially bolster our economy," enthuses Dr Fenech, a lawyer by profession with some personal experience in offshore dealings.

The development of Malta as an offshore base epitomises Premier Fenech Adami's preference for a healthier mix of service and manufacturing industries.

His ruling Nationalist Party is committed to giving the island a greater appetite for projects which are more suited to Malta than bulky industrial schemes, such as ship-building or foundries.

Malta's chances of making a successful debut in the complicated and competitive world of offshore dealings seem, at a glance, encouraging.



Dr Eddie Fenech Adami

Godfrey Grima in Valletta reports on how Malta seeks international advice in an attempt to exploit its location between Europe and Africa as a suitable site for foreign investment.

The basic structure required is already there and functions. Malta's high standard of education has created a fine crop of bank, insurance and business executives, not to mention lawyers, for foreign companies to draw on.

The island is politically stable except for occasional outbursts which mirror the passions driving most Maltese. It enjoys a superb climate and its institutions, particularly the judiciary and central banking system, have weathered parish politics which divide the ruling Nationalist Party and the opposition Labour Party, headed by Dr Carmelo Mizzi and Bonnici.

The change from a socialist to a conservative government in May endorsed Malta's democratic parliamentary system. Within six months, says Dr Fenech, parliament is expected to rush through the necessary legislation to make Malta an offshore base.

At the same time, some Maltese claim (claim) is being spent to update the island's creaking domestic and international telecommunications links.

But it is too early to tell whether these and other planned inducements are enough to woo adequate business to the island.

The Government is treading cautiously. Instead of fashioning its project on existing models, Malta is trying to draw on the experience of other countries. Certainly not welcome, for example, are lease plans, companies and fly-by-night operators.

"We shall not impose restrictions on the number of companies registering here. We want everyone to

come. However, shady operators should not eye Malta as a possible haven. We want to compete with credible offshore bases by offering something more and different," says Dr Fenech.

These views are shared by Labour Party spokesman on finance, Mr Lino Spiteri, a former minister for economic planning.

"If you look out the laundering of black money, which is what we want, and then realise time-bridging advantages no longer exist, we might be ruling out a fair wack of banks."

The registration of shipping already exists offering certain fiscal advantages, although I agree this should be better marketed. That leaves us with trusts, insurance, and trading. With the first two, there shouldn't be any major problem, particularly if we manage to attract captive insurance.

"With offshore trading, we must be careful. We would not want to face a situation where offshore trading companies are offered privileges not available to our own exporters. That would create discrimination and social tension," argues Mr Spiteri.

Premier Fenech Adami's administration is keen to advertise offshore operations as something that will remain a permanent feature of the Maltese economy - whatever government is in power.

Notes Dr Fenech: "Consistency is essential. People must be assured this scheme is outside the realm of party politics." Without that assurance, Malta's forage into the offshore business runs the risk of degenerating into a three-day wonder.

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UK NEWS

Britain will stay outside Unesco for at least a year

By PETER RIDDELL, POLITICAL EDITOR

THE BRITISH Government intends to stay outside the United Nations Educational, Scientific and Cultural Organisation for the foreseeable future and will not review its position for at least a year.

The UK announced its withdrawal from Unesco two years ago, following a similar decision by the US, because of their objections to the policies and management of Mr Amadou M'Bo, its director-general for the past 13 years.

After a bitter electoral battle over the weekend Mr M'Bo was dropped out of the final round of voting by Unesco's executive board, allowing Mr Frederico Mayor from Spain to be nominated.

However, Foreign Office ministers argue that this change, while welcome, does not remove the objections which the UK has to the running of Unesco. They point out that the agenda at Unesco's general conference early next month will be dominated by Mr M'Bo's proposals, which Britain rejects and regards as, amongst other points, anti-Western.

On the British view, Mr Mayor will not be able to make any impact to reform the organisation for at least a year and probably not until the Unesco general conference in 1989.

Moreover, British ministers maintain that the UK subscription to Unesco of around \$2m a year is now being better used in a number of bilateral educational and cultural projects, such as financing overseas students in Britain.

Fundamental reform of Unesco has been strongly urged by Mr Tim Eggar, the Foreign Office Minister with responsibilities in this area, and the nomination of Mr Mayor is seen in London as a belated step in this direction.

Given the caution of Foreign Office ministers about any early re-entry into Unesco, there is unlikely to be pressure from anywhere else in the British Government for such a move. Withdrawal was supported at the time by the majority of Conservative MPs, although it was opposed by a number with overseas aid interests and by Labour.

Vauxhall strike set to continue as talks fail

By Charles Leadbeater

THE STRIKE by 3,500 manual workers at Vauxhall Motors' car plant at Luton is set to continue after talks aimed at resolving the dispute, over the recalculation of productivity bonus payments, broke down yesterday.

Both sides took a firm line after the talks involving national officials of the AEU, the engineering union, the Transport and General Workers' Union and the Electricians' Union (EETPU), and the company's industrial relations executives.

The company reiterated its offer, made to union officials at the plant, that the dispute should be referred to a sub-committee of the Joint Negotiating Committee, the national forum for collective bargaining.

But it said it would reflect on yesterday's meeting before making any further moves in the dispute. It has already sent the workers two letters outlining its case, and some union officials believe the company may be considering legal action.

Union officials regard the dispute as potentially serious because Vauxhall Motors' financial and market position is not as strong as that of Ford, its main competitor. While stocks of the Cavalier cars made at Luton are healthy, it is thought the company may soon find it difficult to offer dealers a full range of choice.

The bonus dispute follows the separation in August of the van and car plants at Luton. Productivity bonuses had been calculated on a measure of the average productivity of both plants.

The unions argue that on the basis of the established thresholds for triggering payment of bonuses, workers at the car plant, which is much more efficient than the van plant, are owed about £10 a week extra. The company says this would add about £20 per car to labour costs.

The company says the thresholds for paying productivity bonuses should be recalculated. But in the interim it wants to continue with the old system by including notional figures for the productivity of the van plant. The unions are also objecting, however, that the company breached national agreements with the unions by introducing the notional figures without consultation.

It is likely that production at the company's Merseyside plant will be disrupted if the strike continues until the end of the week.

Overtime ban costs coal mines £2.8m

By Our Labour Staff

BRITISH COAL lost about 70,000 tonnes of production last week, worth about £2.8m, as a result of the fourth week of the National Union of Mineworkers' ban on overtime coal production.

Last week's loss was slightly down on the previous week, in which the corporation lost output worth about £3m. The cumulative loss from the action, which entered its fifth week yesterday, has reached £11m.

NUM members involved in the ban lost about £1m in overtime earnings last week, bringing the total lost since the start of the ban to £5m.

The NUM started the ban over the corporation's unwillingness to amend its revised disciplinary code to allow for binding arbitration as the final court of appeal. British Coal insists that an appeal must be heard by an industrial tribunal.

The corporation gave warning that continued action would lead to job losses although the extent of redundancies would only be determined after an assessment of the full impact of the action.

The corporation is preparing its 1987 pay award to the rival Union of Democratic Mineworkers, which is likely to be imposed on the NUM. Under the two-year deal agreed with the UDM last year the corporation said it would raise basic wages in line with the rate of inflation.

Schemes for jobless face major overhaul

By Charles Leadbeater, LABOUR STAFF

THE 10-STRONG policymaking commission of the Manpower Services Commission will today consider proposals which could pave the way for the most far-reaching overhaul in government provision for the adult unemployed since the rise in unemployment in the late 1970s.

The commission will consider a paper drawn up by a working party of MSC officials which examines how the organisation of programmes for the adult unemployed should be reorganised in the light of commitments the Government made in its election manifesto.

It is widely accepted that the review will next year produce an entirely revamped set of measures for the unemployed to replace the Community Programme, which provides temporary work for the long-term unemployed, the Job Training Scheme, which provides a mix of work experience and training, and possibly the Enterprise Allowance scheme, which encourages the unemployed to start their own businesses.

It is widely accepted that the Government will only be able to fulfil its guarantee that every person unemployed for between six and 12 months, between the ages of 18 and 25, will be offered a place on JTS, if the scheme is merged with the Community Programme.

Officials at the MSC and the Department of Employment ad-

mit that JTS has largely failed. Only about 20,000 people are on the scheme, which was launched nationally in April with the aim of providing 110,000 places by the end of the year.

The merger, however, could pave the way for a fuller integration of provision for the unemployed to provide a more coherent range of schemes.

It is thought this could include using a revised Community Programme, which provides about 245,000 places, as a central scheme which could then lead to a series of options through which the unemployed could work on an employer's premises, enter self-employment, or take up more intensive training, as routes back into work.

The commission will also consider the implications of the Government's decision that participants in the Community Programme should be paid an allowance equivalent to their social security benefit plus a premium to cover expenses, rather than the wage they are currently paid.

MSC officials hope that the integration, as well as the provision of additional training on the Community Programme, may lead the trade unions to drop their opposition to the payment of participants on a benefit-plus basis.

Focus shifts, Page 15

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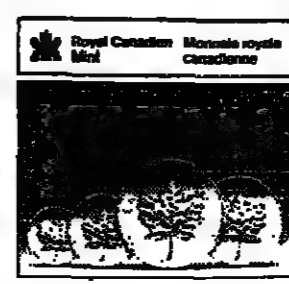
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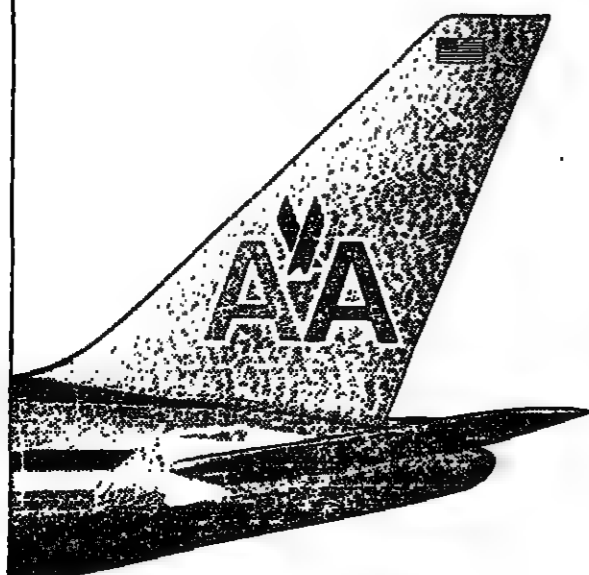
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UK NEWS

Britain begins counting the damage costs

BY ANDREW TAYLOR AND RALPH ATKINS

LOCAL AUTHORITIES and businesses across southern and eastern Britain yesterday were counting the cost of the hurricane winds that caused millions of pounds of damage on Friday. Some councils have already asked the Government for financial assistance to meet the cost of repairing damage. Many others are likely to follow. They are particularly concerned that extra spending should not be penalised by cuts in central government grants.

Lloyd's of London insurance market council yesterday donated £100,000 to a trust established to restore parts of Britain's national heritage, including Kew Gardens. Last night 180,000 homes in the south-east were still without electricity. Electricity boards warned that some remote houses might not be reconnected until next week. Train services were returning to normal but some commuters experienced delays. British

Rail Southern Region said it ran 94 per cent of its scheduled trains during the morning peak period but there were "considerable delays" because of blocked or slippery tracks. In Wales freak floods continued to strain emergency services and disrupt industry. In South Wales nearly 3,000 customers were without electricity for parts of the day but by last night almost all had been reconnected. Shepway District Council, which looks after 4,500 council homes along the Kent coast between Folkestone and Dungeness, said it was still assessing the cost of the damage. It would almost certainly run into hundreds of thousands of pounds and possibly millions. Local councillors in Folkestone said one in three homes had been damaged by winds of up to 100 mph. A roof of a swimming pool, recently replaced at a cost of about £20,000, had collapsed at

Rythe. Brighton district council in Sussex, which, unlike Shepway, had not insured local authority homes against storm damage, said its bill for damages would run into millions of pounds. The council, which has been rate-capped this year, said it lacked the resources to cope with the devastation that has left 10 households homeless and damaged 4,600 of the council's 10,000 homes. A two-storey block of council flats lost its roof. Twenty-two high-rise blocks were being examined by the council to see if any structural damage had been caused. Local authority officials were also considering the extent of the damage caused to the famous Brighton Pavilion, where a minaret, dislodged by high winds, had fallen through the floor of the music room, which had just been restored after a fire. Mr Steve Bassam, leader of

the Labour-controlled council, said: "It would be ironic if the council were to lose even more government grant by spending on this emergency. No local authority should have to foot the bill for what is effectively a national disaster. The Government must come up with the cash now." East Sussex County Council said 500 council buildings, including 80 schools, had been damaged. Tideway secondary school at Newhaven would have to be almost completely rebuilt. The Labour-controlled Association of London Authorities estimated that damage in the capital would run into tens of millions of pounds. It asked Mr Nicholas Ridley, Environment Secretary, to provide urgent financial assistance to London authorities. The Conservative-controlled Association of District Councils said it would be asking members to provide information on how much they had suffered be-

fore putting in a final claim to government for financial assistance. Across the country, storm damage continued to cause concern on main roads. Kent was worst affected, with flooding, debris and falling trees proving hazardous for motorists. Traffic jams were reported in Essex and minor roads remained closed in Surrey and Hampshire. The Post Office said last night it was employing extra staff and had almost cleared the backlog of mail built up on Friday. However, it was expecting delays in Wales because of the floods. The Stock Exchange reported that its computer systems were running normally although some dealing houses were experiencing technical problems. In west Wales rescue efforts were hampered by severe breakdown of telephone communications. At one stage the exchange in Carmarthen was under 6 ft of water.

Sun Alliance and Royal trading profits 'wiped out'

BY ERIC SHORT

THE STORM will almost certainly have wiped out the trading profits earned in the UK during the first nine months by two leading composite insurance groups, according to a leading analyst. Sun Alliance and Royal Insurance will both suffer because they will have to bear most or all of the claims costs themselves, having little or no insurance facilities for their UK

property accounts. Sun Alliance and Royal Insurance are respectively the largest and second largest house building insurers in the UK, dominating the house insurance market. As such, they will be the hardest hit by the storms, which damaged structures far more than contents. Mr Roger Taylor, Sun Alliance's general manager, UK insurance facilities for their UK

by far the largest natural disaster to affect the UK and impinge on insurance costs. He expects to have a clear estimate of the costs by next week. Sun Alliance has already paid out £24m this year on adverse weather claims for January's snowstorms and the March floods. The payout for last week's damage is likely to be more than £20m. Royal Insurance is not expected to fare much better. Its reinsurers are becoming easier to

first £30m of its claims bill, while Royal's Royal Exchange pays only the first £15m. Commercial Union fares even better, paying the first £5m of the bill with a slight involvement in the cost above that figure. One longer-term insurance consequence of the disaster is a renewal of calls for higher premium rates for house buildings insurance.

'Threats' to West End studied

BY RALPH ATKINS

THE PROSPERITY of London's West End could be threatened by out-of-town shopping developments, deteriorating conditions for workers and tourists, and severe traffic congestion. That warning comes in a report published yesterday by Westminster Chamber of Commerce. It sets out how the borough's shops, offices, hotels and tourist industry could be developed by the year 2000. Several issues, it says, need to be addressed "with the utmost urgency" if the area is to take advantage of future opportunities. Potential growth areas include tourism, spin-off from a growing international financial market in the neighbouring City of London and benefits from improved links with Europe after the completion of the Channel tunnel.

Westminster borough has a workforce of 475,000 and a daytime population of up to 1m. The report says it is the centre of Britain's tourist industry and of many international and national organisations. The authors, however, who included representatives of leading employers in the area, say there are threats that challenge this supremacy. Out-of-town shopping centres increasingly provide a safer and more attractive environment for shoppers. They have better facilities and more space for parking. Higher rates will follow the introduction of the Government's uniform business rate system from 1990. That might increase the amount paid by companies to the local authority by more than 20 per cent, driving them to cheaper areas.

Other cities in Britain and abroad are becoming easier to reach for tourists, shoppers and businessmen. Many are competing with Westminster to provide prestige addresses and comfortable working environments. Living in London are rising, as are traffic problems and fears about terrorist attacks. Companies are tending to decentralise and move headquarters out of the capital. The greatest single threat, the report says, is "apathy and complacency in a business community which has become comfortable with relative success and fortune compared to many other cities in the UK."

Welsh TV alters purchasing

BY ANTHONY BOWEN, WELSH CORRESPONDENT

S4C, THE Welsh television channel, is to change the way it buys much of its 20 hours output of programmes a week. Mr Owen Edwards, director of S4C, said in Cardiff the changed system should mean better use of the channel's money and better quality programmes. Under the present system S4C - Sianel 4 Cymru, or Channel 4 Wales - receives 10 hours a week from the BBC which is

funded out of the corporation's licence fee income. It then spends £4m a year out of its £40m budget on nine hours a week under long-term contract from HTV, the commercial station whose franchise covers Wales and the West of England, and five hours from independent producers. The remaining four hours covers recycled programmes. From 1990, S4C intends to

trade on the open market for all its non-BBC programmes, giving the independent producers a choice of whom there are about 34 connected with S4C. The possibility of a greater stake in available airtime means HTV will no longer be guaranteed privileged access to the channel. If HTV were to fail to win any share of S4C's air time it might lose as much as £20m a year

Banks told to exploit strengths

BY ALAN CAINE

BANKS would have to exploit areas where their special strengths gave them an "unfair advantage" over their new competitors in the financial services marketplace, a leading electronic banker said in London yesterday.

Opening the first day of a Financial Times conference on electronic financial services, Mr Gene Lockhart, chief executive, information technology, at Midland Bank, said no bank was providing an adequate return on equity for its investors. But in seeking new avenues to improve profitability, it was important not to damage services such as cheque clearing, where the banks had long and successful records of co-operation.

Co-operation worked best, he argued, when dealing with commodity products where each partner had a similar and stable market share and where the service was transactional, high volume and standardised. He attacked British retailers for attempting to force down the cost of clearing. Lower charges would erode the commercial foundation of personal payments services and the banks would eventually question whether they could afford to maintain the service, to everybody's disadvantage.

The conference confirmed that technology has not yet become, for the financial institutions, simply another business tool.

Mr Peter Lamb, general manager of Leeds Permanent Building Society, said that although change should be initiated by market forces and consumer demand, in practice technology frequently took the leading role. He cited automated teller machines as an example. Although few, if any, financial institutions are doing more than breaking even on their ATM networks, none can afford to be without them. Mergers and reciprocal agreements made the picture very complex. The Matrix network, which with Link is one of the two



shared building society ATM networks in the UK, is soon to join forces with an as yet unnamed clearing bank, he said.

Mr Des Lee, head of systems and communications at Lloyd's of London said companies at last understood the threat new technology could pose to mature markets. "The new buzzword is 'scenario planning' which is a complex form of competitive analysis that is expensive to undertake. People with knowledge of the technique are hard to find and expensive," he said, going on to warn that to justify new systems investment these days it was essential to show savings, greater salesability, better serviceability or improved safety.

Mr Bernard Thiele, director general of Credit Lyonnais, warned that the costs of computerisation the front office and linking it to the back office were huge but essential. "Only the banks having had, for several consecutive years, a substantial cash flow, could devote the sums required to this effort," he said. Credit Lyonnais expected to complete the job in four years. "If we should not make this effort, we estimate that our competitive situation will be at risk in the future," he said. Its realisation will give us a substantial advantage.

Mr David Whitman, of the PA Consulting Group, said information technology could be used to help an organisation stand. It could be used directly to create new products or barriers to keep out the competition, or it could be used indirectly through marketing support.

Merrill Lynch, he said, had developed and was beginning to implement a workflow management system forecast to save 10m sheets of paper, 1m telephone calls and a great deal of time.

Mr Francis Anis, speaking on behalf of Mr Rene Ribault of the videotex department of Credit Commercial de France, provided another example. CCF was, he said, the world leader in home banking.

Its provisions included a "contact" service which allowed an electronic dialogue between the bank and people who were not yet customers. "Without needing a confidential access code, the user writes an 'electronic letter' stating his interests and the service transmits it automatically to the branch nearest his home."

The speakers agreed commercial computer software for banking was still far from adequate. Mr Basil Baser of Commerzbank said cash management software the bank had bought from the US had proved more suited to the US than the West German banking environment and had required considerable modification.

Mr Patrick Hayward of Inter-Net Systems, a leading banking software supplier, argued that new computing methods had made the job of integrating customer account files much easier. When more than 2m customers' accounts were involved, the cost of the computer hardware became an important consideration. Mr Matthew Orr, director of sales and training for Debenhams Investment and Mr Paul Connors of McKinsey & Company also spoke at the conference which closes today.

Private sector 'must take inner city lead'

BY ALAN PIRIE, SOCIAL AFFAIRS CORRESPONDENT

THE PRIVATE sector was yesterday urged to take a lead in determining the future of inner-city employment, the Secretary of State for Employment said. Mr Norman Fowler, Employment Secretary, speaking at a business in the Community Forum, said there were two main priorities - doing everything possible to provide employment opportunities, and offering good training to young people and adults. Industry had a crucial role to play in achieving both objectives. "The improvement in the employment position is real enough. Extra jobs have been created - more than 370,000 in the last 12 months alone - and the outlook is encouraging. But what we need to ensure is that the inner cities are not left behind. One aim must be to see that all parts of the country share in the recovery and the success."

Mr Fowler emphasised the need to ensure that jobs created in the inner cities went to people who lived there. The Government was, he said, determined to target the Enterprise Allowance Scheme and the Small Firms Loan Guarantee Scheme so they gave more help to people in the inner cities. The JobCentre service, which is returning to direct Department of Employment control from the Manpower Services Commission this week, must also be made accessible to inner-city residents. "We already have designated inner-city officers whose job it is to make sure that people in the ethnic minorities know what jobs and support schemes are available to them. We must build on this."

It was vitally important that inner-city residents had access to the training schemes now available to them, and the role of the private sector was vital. "Only the private sector can provide the range and depth of relevant training provision to give individuals the skills to compete in the labour market."

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Region development chief resigns after five months

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MR MARTIN EASTAHL, chief executive of the Northern Development Company, yesterday resigned unexpectedly after only five months in the post because his family has been unable to settle in the north-east. The decision is bound to be seen as an embarrassment because Mr Eastahl's job was to promote the north for inward investment by British and foreign companies. Quality of life in the area is one of the NDC's main selling points. The Eastahls had been living temporarily in Wallsend, Newcastle, while house-hunting. Mr Eastahl, 38, led the official

launch of the NDC last month with a forceful presentation of the region's assets. He would make no comment at his home in Harlow New Town yesterday on his reasons for leaving. However, Mr Reay Atkinson, chairman of NDC, said: "A man is a fool who doesn't put his family first or at least equal with other things." Mr Atkinson will stand in as chief executive of the NDC, which has wide support from government, local authorities and the private sector acting as an industrial development agency for the north-east and Cumbria.

BBC to tighten controls on use of opinion polls

BY KEVIN BROWN

THE BBC yesterday announced plans to tighten controls over the use of opinion polls, after criticism of its election night forecast in June, which predicted a Conservative majority of 24. The actual margin was 101.

The corporation said its broadcasting research department would be involved at "an early stage" in the commissioning of future polls, and guidelines on interpretation would be drawn up for news and current affairs staff.

The announcement follows an internal inquiry into the election night embarrassment by Mr Peter Ibbotson, deputy director

of television programmes, and a separate report by Mr Martin Collins, professor of the City University business school. Mr Collins says in his report election forecasting based on polls is prone to a wide range of errors, and concludes that the corporation's difficulties arose largely from bad luck.

"Almost everything that could go wrong did go wrong, not by much, but by enough to create overall a great deal of embarrassment," he says.

Mr John Birt, the BBC's deputy director-general, said the corporation's reporting of opinion polls was, in general, accurately and responsibly done.

MacLennan increases pressure on Owenites

By Michael Cresswell, Political Correspondent

MR ROBERT MACLENNAN, SDP leader, last night stepped up the pressure on the Owenite faction in his party to halt what he sees as an increasingly blatant anti-merger campaign being waged to undermine the current negotiations with the Liberals.

Mr MacLennan's remarks echo mounting anger over perceived attempts by the anti-merger camp to form a party within a party to fight to preserve the Social Democrats as a separate political entity.

Mr MacLennan told a meeting of the SDP's national committee that he appeared the Owenite Campaign for Social Democracy, which has set up its own headquarters in central London, "seems about as free-standing as Mr Derek Hatton's Militant Tendency."

Mr MacLennan said it had been suggested to him that some party members opposed to the decision to negotiate a merger were acting in a way which, in other circumstances, would provide a prime focus for censure and expulsion.

He said he would not support any moves but he appealed to all party members to remember their sense of duty and urged members of the national committee to act "with a sense of honour." If they did not, they would face censure by the party membership which would prove far more severe than any handed down by a divided leadership.

David Owen, the former SDP leader, did not speak at yesterday's national committee meeting, which called on the CSD to give several assurances about its conduct while merger talks continue.

Mrs Shirley Williams, the SDP president, said afterwards the leadership remained dissatisfied on some counts and expected the CSD to meet and consult with the national committee's requests.

She called on Dr Owen to wind up that part of his campaign directly addressed to overturning the outcome of the merger ballot or he should consider whether the honourable alternative would be to resign. Mrs Williams added: "We remain very concerned about the issue of how far a new party is being created. We have been told that it is not the case and we are seeking assurances on certain points." She said censure and expulsions could not be ruled out.

HK newspaper refused appeal on Spycatcher

THE SOUTH CHINA Sunday Morning Post, the Hong Kong-based newspaper, was yesterday refused special leave to appeal to the Privy Council in London against a temporary injunction banning publication of extracts from Spycatcher, the memoirs of Mr Peter Wright, the former MI6 officer.

However, the Privy Council judicial committee said steps should be taken for a speedy trial of the issue in Hong Kong.

The Post bought the serialisation rights to the spy book from Heinemann, Mr Wright's Australian publishers, and printed the first extracts in August. The Attorney-General obtained a temporary injunction which was lifted by the High Court. But last month, the Hong Kong Court of Appeal reinstated the injunction until the full issues had been determined at trial.

Accountants in short supply

By Richard Waters

FINANCIAL REFORMS in local government, the health service and education are at risk because there are not enough accountants to oversee them, the Institute of Public Finance and Accountancy said yesterday.

The institute, which trains local government accountants, announced a five-year development plan, saying it needs to attract 800 recruits a year - 40 per cent more than at present.

Mr Noel Hepworth, Cipa director, said demand was particularly strong from the health service, which could not fill 400 vacancies created by financial management reforms. The shortage was exacerbated by demand for accountants from further education colleges and urban development corporations.



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UK NEWS

Retail sales decline but trend continues upward

BY RALPH ATKINS AND DAVID CHURCHILL

BRITAIN'S RETAIL sales fell in September but the long-run trend still shows a continuing strong upswing, according to official figures published yesterday.

The Trade and Industry Department said its seasonally-adjusted index of retail sales volume fell by a provisional 0.8 per cent in the month. This follows a near-1 per cent rise to a record level in August.

The fall took independent economists by surprise as most had expected another increase. However, the fall is expected to be reversed this month, mainly because incomes are continuing to rise faster than inflation.

Mr Kevin Gardiner, UK economist at Warburg Securities, said: "It doesn't mean the consumer boom is over and done with, it should be seen as a time of consolidation."

In the three months to September, sales volumes were 2.4 per cent higher than the previous three months and 6.4 per cent higher than the same period last year.

Independent economists are still predicting an annual growth rate for retail sales of about 6 per cent by the end of the year. This compares with the current annual growth rate for the whole economy of about 4 per cent.

The Government will be relieved to see some slowdown in the rate of retail sales growth experienced in the last few months. The drop in September should help to calm fears that the economy is overheating and needs an increase in interest rates to prevent undesirable side-effects.

The index stands at 131.4 (1980=100) compared with 132.5

in August. Mr Richard Weir, director-general of the Retail Consortium which represents most of Britain's retailers, said: "Spending in the shops has remained very buoyant and the year-on-year figures are ahead of expectations."

He reported that retailers had generally done better than their own forecasts during September. Fashion retailers were helped by the onset of autumn weather, while furniture and furnishings stores continued to benefit from the housing boom.

Food stores, which had not performed as well as the sector in general, had a better month, he said.

The North-Eastern Co-operative Society reported food sales some 19 per cent higher in value compared with the same month last year.

NatWest to computerise for small businesses

By Charles Batchelor

NATIONAL WESTMINSTER Bank is to launch an electronic banking service for its small business customers. They will be able to call up information on their bank balances and transmit messages to their bank manager outside normal banking hours.

NatWest claims this is the first electronic service of its kind to be tailored to small business customers, although other banks and building societies have launched similar services for personal and business clients.

BankLine, as the service will be called, is intended for companies with turnover of between £100,000 and £2m. It will be launched next month in the Oxford, Bedford and Reading areas and may become nationwide.

The software for BankLine has been written for IBM or IBM-compatible personal computers and the bank believes the new service will appeal initially to the 12 to 13 per cent of its 500,000 small business customers who already use this type of computer.

BankLine consists of a three-stage service. The first stage, which costs £30 to install plus £25 a month, allows customers to call up account information, send messages to their bank and make transfers between their own accounts.

The service is available between 9am on Monday and 10pm on Saturday, although the account information service shuts for updating between midnight and 5am.

The second stage, costing £20, comprises a software programme, the Pison PC, which gives spread-sheet, word processing, database and graphics facilities.

The third stage is an accounting package, Multisid, which allows the businessman to reconcile his own books with his bank account and which costs about £2,500.

Mr Keith Ferguson, research and development manager of NatWest's automated business services division, said the system had been devised after a study of small businesses' use of personal computers. The most common uses to which they were put were word processing, payroll, stock control, book-keeping and financial forecasting.

THE MANPOWER Services Commission will today consider a paper that presages the most significant change in government provision for the adult unemployed since the rise in unemployment in 1979.

The paper examines how the MSC should implement a series of pledges the Government made during the election campaign.

One commitment was a guarantee that 18 to 25-year-olds unemployed for between six months and a year will be offered a place on the Job Training Scheme or in a Job Club. That group is no longer eligible for a place on the Community Programme, the main scheme for the long-term unemployed, which will be redirected to offer work for the older unemployed who have been out of work for more than two years.

The change, in turn, will involve altering the method of payment for participants on the programme, from an allowance linked to the rate for the job in the local labour market, to paying participants on the basis of their benefit entitlements, plus a premium for expenses.

In addition the programme, which mainly offers part-time work, should offer more full-time places, including much more intensive training.

Taken together, this apparently unconnected list of commitments will amount to a complete overhaul of provision for the unemployed. The transformation of the Youth Opportunities Programme into the Youth Training Scheme, marked a recognition that training provision for the 16-18-year-old age group was to become a more coherent, permanent part of the labour market.

The changes, which will be set in train by the commission today, might mark a similar de-

Focus shifts for aid to jobless

Charles Leadbeater reports on an MSC paper examining ways the Government's pledges to the unemployed can be met

development in provision for the adult unemployed. It is likely that by the end of next year the adult unemployed will be offered places on an entirely different kind of programme from the schemes established in the last few years. But can this revision meet the Government's objectives?

It is already clear that one of the Government's election manifesto guarantees will not be met. The Job Training Scheme, launched nationally in April with the aim of providing 110,000 places, is only offering about 15,000 places.

That means the MSC and the Government have to find a different way of implementing their guarantee for the 18-25-year-olds who are no longer eligible for the Community Programme, but who cannot get a place on JTS. The most likely solution is that the two schemes will be merged so that JTS becomes a branch of the Community Programme.

Senior officials at the MSC want to offer a more coherent programme for the unemployed, akin to YTS training, which combines different types of training within a unitary scheme.

The most likely outcome is that the Community Programme will be replaced by a new scheme, which will provide the backbone for provision for the unemployed.

If that seems relatively straightforward most of the other changes the Government wants are not.

Paying participants on a benefits-plus basis is intended to

make the schemes more attractive to older people whose benefits are usually worth more than the average £87 a week Community Programme allowance. Voluntary organisations suggest that as few as 2 per cent of the 230,000 participants will be better off.

Moreover the attractions of the scheme will depend on the amount the Government decides to add to benefits as an incentive. During the election campaign it was estimated that the premium would be worth about £15 a week, but the Treasury has apparently suggested it should be about £5 a week.

Organisations providing places say that either figure will be insufficient to attract people to incur the expenses involved in taking part.

The trade unions are likely to oppose the introduction of the benefits-plus formula. But their opposition will be minimised by planned changes in the make-up of the commission which will give employers a significant majority on policy-making bodies.

But providing full-time places, with more training, will involve other obstacles. Almost 75 per cent of participants on the Community Programme are part-timers. That is essential if the wage bill is to be kept within Government guidelines.

Moving to full-time places, with training, for more than 250,000 people will be almost impossible without increasing the cost of the programme.

The only alternatives are either to make the programme cheaper, which implies that the

younger unemployed will get much less than the £87 a week, or to make it a much smaller programme.

That option would mean that special employment measures would take fewer people off the registered unemployment count, a development ministers would not welcome. But organisations providing places on the scheme say that lowering the payments to younger people will make it far less attractive.

While the unions may not be an insurmountable barrier to the changes, voluntary organisations and local authorities could be.

The voluntary sector has effectively used the Community Programme to carry out work on a wide range of social services which the state will not fund directly. Most are not equipped to provide extensive training, even if that is mainly home learning or flexible learning at work.

There is widespread suspicion in the voluntary sector that the move towards benefits-plus payments presages the introduction of a British welfare system in which benefits are paid on condition that people take part in training programmes.

They argue that that would be the only way the Government could make the scheme less attractive for a lot of people but maintain the number of participants. Most see this as an unacceptable form of compulsion.

The opposition of voluntary organisations and local authorities might be a significant constraint on the plan, for they provide the majority of places on the Community Programme.

Unless the Government can swiftly find a new group of organisations to provide places it will have to listen to their criticisms.

Counsel for Pilkington auditor's inquiry

BY RICHARD WATERS

AN INQUIRY into the way Coopers & Lybrand, Pilkington's auditor, helped it to fight off a bid from BTR this year has been delayed while Coopers calls in a leading counsel - a rare move in a professional disciplinary hearing.

The hearing, which was due to be heard by the Institute of Chartered Accountants in England and Wales' disciplinary committee today, has been postponed until December 15 while Coopers prepares its defence and briefs its counsel, whom it declined to name. The institute has called in counsel as well.

The unusual move reflects the seriousness of the case to Coopers, accentuated by the fact that it has been made public. Disciplinary cases are normally handled behind closed doors by the accountants, with the defendants' names often not published, even if they lose their case.

The hearing follows a complaint from Sir Owen Green, the BTR chairman and himself a chartered accountant, about an attack on the company's accounts prepared by Coopers.

The document, which pointed to weaknesses in BTR's profit and cash-flow record, "contained substantial inaccuracies, was misleading and in our view fell far short of the professional standards which we would have expected of any reputable firm of accountants", said BTR at the time.

The charges, which are believed to allege lack of objectivity, have been brought against Coopers partner Mr Richard North rather than the firm, since the institute can only discipline individual members.

Mr North works in Coopers' corporate finance division and has never worked on the audit of Pilkington.

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Coming down to earth

BLACK MONDAYS rarely live up to the description so dramatically. Yesterday's 1 per cent collapse in UK equity prices (13 per cent at one stage) as measured by the FT-SE 100 Share Index threatens the new-found reputation of the Stock Exchange as a safe and rewarding place for millions of small investors to put their money. Share prices can indeed go down as well as up - and alarmingly quickly, too. Moreover, the shakeout immediately placed the £7.2bn BP issue in grave danger of failure, at least in so far as the underwriters may need to show their mettle.

The decline is proportionately the largest single day's drop in fifty years, far exceeding the 7 per cent or so recorded on March 1, 1974, when there were obviously post-election reasons for the alarm - though it can be argued that part of yesterday's collapse was attributable to last Friday when the problems were posed by external rather than internal factors.

It is a natural response to blame London's new market making system, still less than a year old, for the savagery of yesterday's market. As in the previous (but much less serious) shakeout in July there were complaints yesterday that genuine investors found it hard to get through the market makers and that the securities firms were absorbed in playing elaborate games with each other. The tumble was market-led rather than investor-led.

Exchange rate

After all, London's bull market appeared to have been reasonably well-founded. Profits and dividends have been rising strongly, there is no pressure on short interest rates, and valuations have looked supportable. But suddenly London share prices have collapsed in a morning by much more than the scale of the setback on Friday in New York which triggered off the reaction - though the final, early afternoon, phase of yesterday's FT-SE slump was a response to the further agonies of a Monday morning in America. There must be lessons here about the instability of the global institutional market place, which feeds on fears trans-

mitted from one time zone to another, and which depends on too narrow a base of professional market makers and fund managers. This is no environment for soft landings. But is there a real basis for the equity market's hysteria? It is not hard to draw an alarmist picture. Trouble has been gathering for months, as foreign central banks have poured huge support into maintaining the dollar exchange rate with little encouragement from the trend of US fiscal deficits and none from the trade returns, at least in terms of value. Crisis is nothing new this year to the bond markets, which have been faithfully reflecting the mounting concerns over the buoyancy of the money supply in most leading countries - largely a consequence of the support for the dollar - and the chance of renewed inflation. Yet the equity markets in the US, UK and Japan have up to now been able to ignore the problems in the problems in bonds. Perhaps they have simply, and suddenly, now come down to earth.

Import demand

It could be that a critical mass of big investors has concluded that the major US recession is now becoming inevitable. The Louvre accord on currencies is visibly crumbling, the dollar is losing its support, and either the Americans accept that imports will cost them a good deal more in dollar terms in future or they will have to suffer the rigours of even higher interest rates. Either way, the economic consequences of lower US import demand will be felt around the world.

The puzzle is whether such a realisation can or should have dawned so suddenly on Wall Street, and even more so on the London equity market, which only a week ago was trading contentedly within 4 per cent of its July peak. The message of the past few days may be that modern markets are too narrowly obsessed with predigesting opinions. They have tremendous technological capacity for gathering global information, but the process of analysis turns out to be clumsy and even alarming. We still have to live with Black Mondays.

Unclear goals in the Gulf

YESTERDAY'S American bombardment of at least one disguised Iranian oil platform in the Gulf marks the most serious US move so far in a dangerous chess game between Washington and Tehran. Although Mr Caspar Weinberger, the US Defence Secretary, said the Reagan Administration was not regarding the matter as closed, things are most unlikely to be seen in a similar light by Iran. The attack was presented by Washington as a measured response to Iran's missile strike on a tanker flying the US flag in Kuwaiti territorial waters last Friday. But two incidents show that the two sides are deeply uncertain as to what they are now trying to achieve in the Gulf. That confusion raises the distinct risk of a wider escalation of the conflict, and a view of the fierce criticism of Washington's latest action from the Soviet Union.

The Iranian Government is caught between conflicting currents. Domestically, it is under pressure to respond to two recent clashes with the substantial American naval force now patrolling the Gulf. Internationally, it is on the receiving end of an unprecedented diplomatic campaign to end the war with Iraq. It knows that its weakened armed forces cannot hope to triumph against US firepower in the event of a full-scale confrontation.

As a result, the Iranians have been probing the limits of the American military commitment in the Gulf while seeking to avoid the full force of American retaliation. This was certainly the implication of last Friday's attack, involving as it did a ship which was not technically under US naval protection.

Deeper muddle

The US Administration, for its part, is similarly torn. Since early summer, senior officials have been expressing eagerness to confront Iran, with which Washington has a large number of recent scores to settle. There have been suggestions that Washington would mount preventive strikes on missile batteries the Iranians are believed to have installed on the Fao peninsula in the northern Gulf or close to the Strait of Hormuz. But in practice, US actions have been limited in scope. Leading Congressmen have said they would support a "proportionate" response - such as a move to disable the missiles believed to have been responsible for Friday's attack and for previous strikes on Kuwaiti territory. Yesterday's onslaught on the oil platform did not go even as far as that.

New commitment

In the short term, however, the obvious danger is that the US and Iran will be able to contain the cycle of response and counter-response for much longer. Given that threat, the international community should already be considering how it is to prevent an all-out confrontation and what its real aims are in the Gulf.

Above all, it is important to bear in mind the degree to which the major powers are in agreement on the need to end the Iran-Iraq war - a fact symbolised by the United Nations Security Council resolution calling for a ceasefire which was passed in July and which council members last week reaffirmed their determination to implement.

The unprecedented unanimity at the UN is worth preserving, especially given the Soviet Union's apparent new commitment to making the organisation work. Moscow has repeatedly warned that the American military build-up could jeopardise that unity and has proposed replacing the foreign fleets patrolling the Gulf with an international force under the UN flag.

Whatever the difficulties, the idea remains worthy of serious consideration. Now more than ever, America's allies should be reminding it of the dangers of going it alone.

Fiat dominates Italian industry. Suddenly, the politicians have started to worry. Alan Friedman and John Wyles report

Challenging the empire

IS FIAT TOO POWERFUL? This question lies at the heart of recent tense exchanges between the giant Turin group and the Italian body politic which have at times resembled two sovereign states on the verge of severing diplomatic relations.

In the last few weeks, Mr Cesare Romiti, Fiat's managing director, has taken the battle to the politicians with his presidential election campaign, apparently observing, and only occasionally intervening, from a distant hilltop. Some sections of the Italian press have tried to present Fiat's confrontation with the politicians as a solitary feud with the Socialist Party, since the party's leader, Mr Bettino Craxi, has made no secret of his support for equating big business. But the phenomenon is far broader. The policy programme loosely binding together the current five-party coalition led by the Christian Democrat, Mr Giovanni Corbelli, is committed to producing rules on transparency and norms for curbing concentration.

While the Communist Party has made no secret of its belief that Fiat is the principal problem to be dealt with, politicians on the centre and right are much more circumspect.

"We are the only European Community country without any

of clearly limiting the holdings of industrial groups in banks and financial institutions to prevent their possible exploitation for private interest. Similarly, the extent of conglomerate control of newspapers and television also looks likely to be restrained.

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"We are the only European Community country without any

Elsewhere an anti-trust debate would be a natural democratic concern. In Italy, it is seen as an attack on Fiat

domestic competition legislation," says Mr Gianni De Michelis, leader of the Socialist group in the Italian lower house. "It would be unwise for us to approach 1992 when the EC is due to dismantle all internal financial and trade barriers without putting such laws into place."

His party colleague in the Senate, Mr Roberto Casella - who, as chairman, has set the Senate's industrial committee to work on the anti-trust question - offers more structural reasons for legislating now. "Until the 1960s we had a system of counter-weights, which made competition legislation unnecessary. The powers of private business were counterbalanced by the public sector and by a strong trade union movement. Now, however, the public sector is being cut back through privatisation and union power is much reduced. At the same time, the private sector has grown and strengthened, but it is not just a Fiat problem."

Senator Casella and others do not challenge Gianni Agnelli's recent assertion that Fiat needs to grow stronger, providing that the Fiat president was referring

to the automotive sector. The group's leading 15.3 per cent share of the European car market is universally regarded as a position to be defended, particularly in view of the fact that the agreement limiting Japanese imports to 2,550 cars and 750 four-wheel drive vehicles a year may not be sustainable beyond 1992.

Nor is there any serious threat from the politicians to break up Fiat. There is a great deal of misunderstanding about the phrase "anti-monopoly". It is either a euphemism for some of the demon that Mr Romiti goes after with a pitchfork, says Senator Guido Rossi, who is working on what is probably the most important independent anti-trust legislative initiative.

A distinguished former chairman of the Conso stockmarket authority who has also acted as a lawyer for Fiat for many years, Senator Rossi is still shrouding the details of his bill, but says it will not be all-embracing legislation.

This is not the law to end all laws, but must be part of a mosaic, one of a series of laws we Italians implement to regulate rapidly evolving Italian industrial and financial markets," he explains. Other laws that must accompany this, he adds, are laws to regulate company accounting principles, and to protect bank depositors and stock-market investors.

"This law must protect the consumer and if that means letting in Japanese car imports, even if it costs Fiat market share, then so be it," concludes Senator Rossi.

The Rossi law would set up an autonomous anti-trust authority, using as models the Bundeskartellamt in West Germany, the Monopolies and Mergers Commission in Britain or the anti-trust division of the Department of Justice in Washington. "It is not pure competition or market share that would be a guideline for my law, but the interests of the consumer," Mr Rossi says.

Neither this, nor other legislative initiatives which look likely, ought to strike fear into Fiat's heart. What the group appears to find difficult to accept as reasonable are the political anxieties about its horizontal spread. "Such is the breadth of the company that virtually every parliamentary committee is within its lobbying range. Most of us are more daily aware of Fiat than of any other company," said a member of parliament who preferred not to be named.

Fiat as an industrial conglomerate will this year have total turnover of around £27,000bn (£27bn). As the only Italian car maker, the Fiat group has a 60.5 per cent share of the domestic car market by virtue of Fiat Auto, Alfa Romeo, Ferrari and Autobianchi. Fiat has 17.6 per



cent of the components market and for most of Italy's component suppliers it is the only real client available.

Holdings controlled through IFI and IFIL, the Agnelli family companies, go even further. The Toro insurance group is the sixth biggest insurer with 31bn of premium income, the Rinascente department store chain has nearly \$2bn of sales and 26 per cent of the retail market. Prime, the 50-50 mutual fund venture with Monte dei Paschi di Siena, is Italy's second biggest mutual fund with \$6.4bn of savings. And as a result of a new venture with BSN of France it has 15 per cent of the mineral water market, 11 per cent of the beer market and 7 per cent of the pasta market.

In overall terms the industrial and financial holdings controlled directly and indirectly by the Agnelli family give Mr Agnelli sovereignty over an empire which has a market capitalisation of £41,436bn, equivalent to 23.8 per cent of the entire Italian stockmarket. This is a state of affairs unparalleled in any other Western industrialised nation.

And aside from this raw financial and market power there is the sticky question of the Agnelli family's control of newspapers. Aside from La Stampa, the Turin paper which is a 100 per cent Fiat subsidiary, the group also controls, indirectly through the Gemina investment company in Milan, the Rizzoli-Corriere della Sera publishing group, the country's biggest

publisher. The Rome parliament's watchdog on media affairs recently declared Fiat to be in violation of the law on the concentration of press power because La Stampa, Corriere and a sports paper give Fiat 23.9 per cent of the national daily newspaper market - against a legal limit of 20 per cent. As a result the Milan state prosecutor has been asked to challenge this ownership.

Mr Giorgio Fattori, managing director of Rizzoli, says he would have done the same as the media watchdog, but argues that if the sports paper is excluded from calculations Fiat has less than 20 per cent of the market. Aside from the rather obvious way in which La Stampa trumpets good news from Fiat, analysing the practical consequences of its newspaper holdings is very difficult.

But many Italian journalists maintain in private that there is already much "self-censorship" not just at La Stampa and the Corriere della Sera but also at the Turin paper, the leading business daily that is owned by Confindustria, the employers' association which looks to Mr Agnelli for symbolic leadership.

There is scarcely ever a hint of criticism of Fiat in these newspapers. This means, for example, that Italians had to turn to the independently minded La Repubblica a few months ago to learn of allegations that Prime, Fiat's partly owned mutual trust, was holding proportionately bigger blocks of the company's shares than other funds.

Fiat's media interests have become several times more politically controversial with the news that Rizzoli is to enter the television market with an option to acquire 50 per cent of the Monte Carlo-based Telemontecarlo, a minnow compared to the state RAI network or the private Berlusconi empire, but with rights to broadcast live news, which Mr Berlusconi does not yet have.

Another aspect of the Turin group's considerable impact on the media is its power as an advertiser. According to Prima Comunicazione, a media trade magazine, Fiat is Italy's biggest spender on advertising. Last year the group spent an estimated £285bn on promotion, equivalent to 13 per cent of the national total. "That in itself is a potent tool," remarked the chairman of one major newspaper and publishing group who asked not to be named.

There is no suggestion from any politically significant quarter that Fiat is abusing its social and political power - which will remain a fact of Italian life regardless of any anti-trust law. It is also unlikely that the final legislation, when it emerges, will be passed against determined opposition from Turin.

The group plays too central a role in holding Italian national self-esteem and is too powerful an economic force for the politicians to want a full-blooded confrontation. On Tuesday last week, Gianni Agnelli fell and broke his femur. Where else in Europe would a businessman's domestic accident have been front-page news in nearly every newspaper?

Post-marked Surrey

Sir Bryan Nicholson, who takes the top job at the Post Office this week, will not have far to walk if he wants to hear the consumer's voice.

It turns out that Tom Corrigan, chairman of the Post Office Users National Council, the statutory consumer body for the industry, is one of Nicholson's near neighbours in Surrey. That could prove useful since matters about the corporation's quality of service have been getting louder, though they still have not reached the crescendo level experienced by British Telecom.

Nicholson, who has not had much to do with the Post Office before, has been pushing hard for family connections with the giant industry he is to head. He has had to go back to 1906, when his father, then a 13-year-old lad, had a job as a Post Office messenger boy in a small village. Nicholson, who is now moving over from chairmanship of the Manpower Services Commission, likes to think he is returning the favour.

Give voice

To anyone familiar with the hurly-burly of Chicago's futures pits, it is little wonder that traders end the day with rasping voices and hoarse whispers. Traders yell for a living and often the loudest are the most successful.

Any associated voice problems are regarded by most as an occupational hazard. Although a temporary voice loss can be expensive when your job involves bellowing out numbers for five hours at a stretch. To help these "high-risk voice users" restore their raspy croak to a hearty bellow, Chicago's Schwab Rehabilitation centre has set up a voice treatment programme for traders.

of ears, nose and throat, patients diagnosed as voice abusers are taught such techniques as breath control and "less stressful vocal cord vibration". Drucker says it polished the

Men and Matters

to relieve strain on the voice. Severe voice abusers can develop polyps on their vocal chords, preventing them from closing properly.

"We try to get the traders before their voices are completely gone," explains Lisa Federhar, one of Schwab's speech pathologists, "and teach them how to preserve their voices, but more often they don't come to us until they are croaking."

Therapy does not come cheap at over \$1,000 for a course of treatment, but I suppose it could be a lot more expensive to lose a trade by whispering in the futures pit.

Ahoy, Jim lad

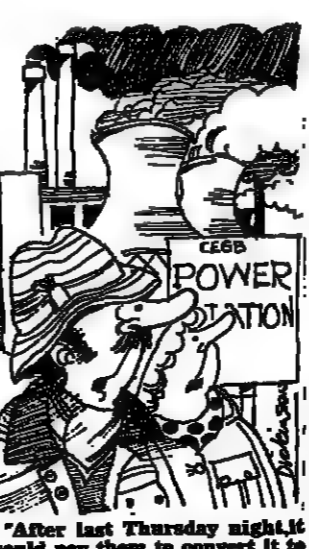
If such terms were used in business Jim Davis, a director of Kleinwort Benson, and chairman of DFDS, who has now joined the board of TIF Europe, would be called a "wot".

He is a director of British Ports Holdings, chairman of the International Maritime Industries Forum, chairman of the Maritime Society, president of the National Waterways Transport association, and president of the Harwich Lifeboat.

All of which explains why this salty gent is being welcomed by TIF Europe's chairman, Jim Cleary, for his range of experience, "as we approach flotation and beyond".

Little gem

Amsterdam diamond cutters, D.Drucker, have just set a world record-breaking brilliant - but it is unlikely to cause a commotion among the stars of Beverly Hills. It has been accepted by the Guinness Book of Records as the smallest brilliant ever cut, measuring only 0.22mm in diameter and weighing just 0.0001023 carats. Drucker says it polished the



"After last Thursday night it would pay them to convert it to being wood-burning."

57 facets by using advanced techniques normally employed in producing diamond components for medical science, space research and micro-electronics. However, the company claims that its success in smashing the record - the previous smallest brilliant measured 0.55mm in diameter - was due in large part to its "exceptional craftsmanship, the outcome of more than 80 years of experience with diamonds".

Hard ship

British merchant navy officers are none too keen to serve in the mined and missile-prone Gulf these days.

But Nunnist, their trade union, has given them a salutary reminder that there's always someone worse off. The union reports the plight of the crew of a certain Panama-

nian-flagged ship, on permanent charter in the Gulf, who have complained of - no air conditioning, intermittent electricity, no medical supplies, irregular linen, food and water; kitchen equipment out of order; inert gas system not working; and non-payment of war zone bonuses.

And, as if that wasn't enough, some of the ship's cabins are said to have been destroyed by an Iraqi air attack.

Sri Lankans among the crew are reported to claim they even paid an agent \$2,300 for the doubtful privilege of working on the vessel. They say they were assured it would be sailing in European waters.

Poor build-up

Torio Kato, property finance manager for Nippon Credit Bank in London, had few good words to say at the weekend for property developers in his own country.

Not only were they skilled in such familiar tricks of international estate agency as exaggerating the convenience of a location - "15 minutes on foot" means that time for an Olympic gold medalist, not for you - Kato told the annual conference of the Royal Institution of Chartered Surveyors that some also sold non-existent property.

The Japanese property market, he added, had a "violent nature". Several lives had already been lost where thwarted developers had "sent round the boys" to sort things out.

Kato told his hosts: "I'm sure that Emperor Hirohito will not give his royal or imperial charter to the Japanese property community."

In touch

Overhead at school parents evening: "Now your other children are at college, I suppose you write to them quite often."

"Only by cheque," came the sad reply.

Observer

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Letters to the Editor

The Japan problem and an apocalyptic view

From the Director General,
Japan Trade Centre London.

Sir, I have noted with great interest the recent articles and letter exchanges in your esteemed paper about the 'Japan problem', particularly the pros and cons of the contributors.

To air such viewpoints is far better than to neglect them. It allows free expression of feelings and permits open debate on a matter which affects us all.

It is not my intention to side with any of the contributors but, there is a point I should like to make.

Japan's current trade surplus is indeed very large and should be reduced as soon as practicable. It should be noted however, that the recent rapid growth of Japan's trade surplus was mainly brought about by short-term factors.

The dollar-based surplus figure reached \$22.7bn in 1986, an increase of \$36.6bn over 1985. Of the \$36.6bn, \$17.7bn reflected the temporary increase in the value of the dollar, passed on to exports brought about by the declining exchange rate, despite the fact exports had not increased in volume owing to the rise in dollar-based export prices resulting from the appreciating yen. Another \$16.9bn is attributed to the steep drop in oil prices from a 1986 average of \$26 a barrel to \$16 a barrel in 1986.

An example likens the situation to that of a growing boy who

is 6' tall being told he is 8' tall because of a change in the division scale. He is certainly growing but not that rapidly.

Oil prices and exchange rates are both functions of the world economy as a whole and are uncontrollable by Japanese businessmen engaged in the export and import trade.

Trade responds to market requirements and business exists on demand. It is not a game of chance. You can neither increase nor decrease your business as fast as the change of oil prices or the exchange rate.

Japan continues striving to reduce the surplus by expanding domestic demand, encouraging and assisting import promotion, increasing ODA (Official Development Aid) to the developing countries and so on.

In fact, only recently, Japan announced a so-called recycle plan, to provide finance of \$20bn to the developing countries spread over the next three years. The funds will be completely untied and will be given through international financial institutions and other similar organisations.

These activities are finally influencing the situation. We are now seeing a sharp rise in imports of manufactured goods, a continuing decline in our export volume and a steep drop in the surplus as a natural result. Shuji Ogawa,

Leconfield House, Curzon Street, W1.

From Mr G Bowring.

Sir, Mr George Soros' apocalyptic view (October 14) of the Japanese stockmarket is founded on the premise that the period of excessive liquidity is coming to an end. No-one disputes this, nor that the speculation it spawned and which led to the demise of Toteho Chemical will cease. The authorities, far from allowing financial speculation to continue unchecked have moved swiftly to deal with the problem, as Mr Soros himself acknowledges.

The collapse of the bond market may easily have been engineered by the authorities in order to force the losers in the 'satellite' game to reveal the rise in interest rates is proof of the recovery now happening in the Japanese economy: bank lending is being sought for capital investment plans both at home and abroad, indicating the confidence of industrial managers to produce consistent profits at exchange rates as high as 120 Yen/\$.

Mr Soros' article completely ignores the recovery taking place in operating profits across the board in Japanese companies, as well as the rebuilding and restructuring of the domestic economy, which is every bit as significant as the Gorbachev 'perestroika' experiment. The reason why Japanese companies are on apparently high P/E's is that the market is

anticipating the significant improvement in the quality of operating profits in years to come. Japan has shown not only that it can cope with, but can also profit from a loss of competitiveness which would have crippled other economies. By contrast the USA has completely failed to capitalise on the opportunity offered by the change in the value of its currency.

Mr Soros ignores the well rehearsed argument concerning differences in Japanese accounting practices. By some measures, this would add up to 25 per cent to Japanese profits vis-a-vis their American counterparts. And as for NTT, what would the multiple be on British Telecom if the rationalisation threat were removed for good? NTT faces no competition at home at all and in privatisation, now has the potential to produce financial performance every bit as good as Japan's major commercial enterprises.

Mr Soros' contention that private savings will slow down is unsupported. Any savings in Japan are running at an absolute level twice that of the USA, and life insurance companies continue to invest at most approximately 5 per cent of cash flow in equities, but have stated that the proportion is destined to rise.

G R Bowring,
Leconfield Hall,
Austwick,
Leeds LS20 3LR.

FOR THE first time since 1945, it is beginning to look as if there is a real chance that the United Nations might be used as its founders intended: as a framework in which the great powers, working together and with the advice and consent of the wider international community, can take action to preserve world peace.

That did not happen after 1945, mainly because of the attitude of the Soviet Union.

During the war, Joseph Stalin, the Soviet leader, had rather reluctantly allowed himself to be coaxed by US President Franklin D. Roosevelt into joining in the creation of the UN. He knew perfectly well that the majority of states in the post-war world would be capitalist, and he had no intention of putting the Soviet Union in a position where it might be coerced by majority vote.

Sure enough, he soon found his behaviour on a wide range of issues condemned by the majority. Andrei Gromyko, as the Soviet delegate to the UN in those early days, acquired the sobriquet of Monsieur Nyet because of his frequent use of the veto.

Sir Brian Urquhart, in his autobiography published this week, recalls that even in 1945 the Russians 'were particularly reserved about the UN'. In those early days, acquired the sobriquet of Monsieur Nyet because of his frequent use of the veto.

The Military Staff Committee, composed of representatives of the chiefs of staff of the five permanent members of the UN Security Council, never managed to agree on the type and quota of forces to be made available by the Charter concept of enforcing the council's decisions, and was soon reduced to a purely ritual fortnightly meeting.

From that day to this, every use of the UN flag or UN machinery 'on the ground', rather than for purely diplomatic or declaratory purposes, has been achieved either by a circumvention of the Soviet veto or, at best, with grudging Soviet neutrality.

The West was able to fight the Korean War as 'the United Nations' only because Moscow was boycotting the Security Council at the time, in protest at the exclusion of Communist China. Not surprisingly, this type of 'enforcement' has proved impossible to repeat.

Instead, the UN Secretariat has gradually improvised the new art of peace-keeping, in which a token UN force is interposed between the parties to a conflict with the consent of both, to make it more difficult for them to start fighting again.

It was the General Assembly which requested the Secretary-General to set up the



FOREIGN AFFAIRS

The Soviets come in from the cold

first UN peace-keeping force, in Sinai in 1956 - a procedure expressly designed to circumvent the veto and never accepted as legitimate by Moscow. Subsequent UN peace-keeping operations - in the Congo in 1960, Cyprus in 1964, Sinai again in 1978, the Golan Heights in 1974 and Lebanon in 1978 - were all authorised by the Security Council, but the Soviet Union never liked them and never contributed to their costs.

But now things have begun to change. First the Russians took to voting for, instead of abstaining on, the renewal of specific

led last week to new guidelines being given to the Secretary-General. It is true that the Russians are not yet ready to proceed to a second resolution imposing an arms embargo on Iran, as the Western powers would like. But they do repeatedly stress the importance of the Five continuing to work together.

Meanwhile, on September 17, Mr Gorbachev came out with his article calling for a revival of the UN and offering some practical suggestions for making it more effective, including notably 'wider use' of UN peace-keeping forces.

Moscow is playing a positive role at the UN for the first time since its creation. Edward Mortimer reports

UN forces which they or their friends in the Third World found useful - such as UNFICYP in Cyprus and UNDOF in the Golan Heights. Then in April 1986, they announced that they would not only vote for the maintenance of UNFICYP in South Lebanon but would start paying their share of its cost, though at that stage without accepting any responsibility for the arrears.

This year things have gone faster. The Soviet Union responded positively to suggestions from the Secretary-General and from Britain and the US, that the five permanent members should work together to find ways of ending the Iran-Iraq war. The result was Resolution 598 of the Security Council, passed unanimously on July 20, and the subsequent consultations which

Then Mr Shevardnadze, in his speech to the General Assembly, suggested that the safety of shipping in the Gulf should be ensured by 'the entire world community, on whose behalf the United Nations will be acting', apparently through some kind of peace-keeping operation: a proposal he further elaborated at the lunch given by the Secretary-General to the foreign ministers of the Five on September 25 (in itself a sign of a strikingly improved atmosphere at the UN).

Last week Mr Shevardnadze's deputy, Vladimir Petrovsky, said in a Radio 4 broadcast that 'a lot of missed opportunities exist within the United Nations Charter', and that 'probably the time has come' to try to make use of the Military Staff Committee. The next day he announced at a press conference

that the Soviet Union had paid off its arrears in regular UN contributions and was ready to pay its assessments for all peace-keeping forces without exceptions.

One needs to be careful about all this, of course. There is considerable confusion about the precise figure of arrears and about which operations the Russians are actually offering to pay for. Earlier this year they rejected a Secretariat suggestion that part of the cost of UNFICYP should be covered by assessed instead of voluntary contributions, and Mr Petrovsky's use of the word 'assessments' suggests that UNFICYP may still be excluded.

Likewise neither Mr Shevardnadze's remarks about the Gulf nor Mr Petrovsky's desire to revive the Military Staff Committee necessarily mean that they are converts to the idea of enforcement. Mr Shevardnadze was apparently suggesting a peace-keeping force to monitor a putative cease-fire, rather than a UN takeover of the present conveying operations; and it is a long-standing Soviet gripe that the Secretary-General exceeds his powers by running peace-keeping operations. Since the only military forces mentioned in the Charter come within the purview of the Military Staff Committee.

It could be that reviving that Committee would simply provide a mechanism for Soviet interference in the administration and command of peace-keeping forces, rather than herald any new collective will of the Security Council to act forcefully in defence of peace.

Yet even with these reservations, there is clearly a new and more positive Soviet attitude to the UN in general, and to peace-keeping in particular; and Moscow is putting at least some of its money where its mouth is. Unfortunately, though perhaps not coincidentally, it is doing so at a time when Congress is refusing to bring the US contributions up to date - thereby sabotaging a reform package carefully negotiated with Third World delegates in New York - and refusing even the small part-payment which the Administration had proposed to make towards the US assessment for UNFICYP.

It will be tragic if the US turns out to have lost all interest in the UN just when the new Soviet attitude offers hope that it could at last become really useful. America was, rightly unwilling to leave Moscow a monopoly of the protection of Kuwait tankers. Surely it should accept the belated Soviet request to share in the leadership of the world organisation, rather than allow Mr Gorbachev to assume that leadership by default.

Indonesia's transmigration

From Mr M Colchester.

Sir, John Madeley's article (October 14) on the changes taking place in Indonesia's transmigration programme leaves a great deal unsaid, compounding the confusion that reigns about the future of this disastrous scheme to colonise Indonesia's outer islands with landless poor from over-crowded Java.

He correctly notes that the Indonesian government has announced substantial cuts in the numbers of transmigrants being moved; a fact which the World Bank has made much of to placate those who have criticised its involvement in the programme. The reality is however, that as many transmigrants are moving as ever. How can this be, since the announced cuts in numbers refers only to so-called sponsored transmigrants (transmigrasi umum), migrants for whom the substantial costs of transport, housing, land clearance and agricultural extension are borne by the Government. Meanwhile to compensate for these cuts the Government is actively promoting the movement of so-called spontaneous transmigrants (transmigrasi swakarsa), migrants who move at their own expense, yet still within the framework of the official programme.

Thus in the period 1986/1987 some 186,333 families were moved; 3,333 more than originally targeted. The Minister for Transmigration has announced that the 1987/1988 target has been raised to 180,000 families; Madeley gives a figure of just 10,000.

One of the main criticisms of

the transmigration programme is that it is being carried out with scant regard for the peoples of the outer islands, whose lands are being expropriated for the Government in the name of national development. It remains Indonesian policy not to recognise the land rights of tribal peoples practising shifting cultivation or hunting and gathering. As transmigration continues so does the destruction of these peoples ways of life. The Minister for Transmigration makes the same point in different words: 'the transmigration programme highlights social integration so that racial differences and differences between ethnic groups will no longer exist'.

Responding to the international condemnation of the human rights abuses associated with the programme, the British Government's Foreign Affairs Committee has noted that 'insufficient attention may well be being paid to the rights of the indigenous peoples and of the indigenous peoples at the receiving sites'. The committee concluded that 'the criticisms of the transmigration programme... which have been brought to our attention justify the UK Government's policy of non-involvement'.

Why the British Government goes on supporting the programme, though, the World Bank and the UN agencies remains unexplained. Marcus Colchester (Projects Director), Survival International, 310 Edgware Road, W2.

EC merger policy

From Mr J Boyd QC.

Sir, It is not often that your readers fail to take a balanced view, even if they are sometimes a little bland.

For some time competition in Europe has been a hot topic. In Europe however (October 8) was, by your own standards, remarkable. It read in parts as if it were based on a hand-out from the UK and other the members which are unable to agree a Community merger policy and yet resent the European Commission's intention, in the absence of such policy, to make more use of the limited powers which it already has.

You criticise the Commission's procedures for being slow, inconsistent and subject to political pressure. It is interesting to know which of the member states have competition procedures which avoid all of these things. Indeed in the UK the reference of a proposed merger to the Monopolies and Mergers Commission is usually seen as a kiss of death.

John Boyd,
3 St Katherine's Road,
Hendon on Thames, Oxon.

The reluctance of the Government to give the Commission more powers is due not to the failings of the Commission, but rather to a lack of political will. For some time competition in Europe has been a hot topic. In Europe however (October 8) was, by your own standards, remarkable. It read in parts as if it were based on a hand-out from the UK and other the members which are unable to agree a Community merger policy and yet resent the European Commission's intention, in the absence of such policy, to make more use of the limited powers which it already has.

You remark that a Community merger policy may not be needed until after 1992 and that Commissioner Sutherland (who presiding over the action by Governments after 14 years of inactivity on their part) is now 'rushing his fence'. Whatever else may be said about your leader writer, it is good that he does not lack a sense of humour.

John Boyd,
3 St Katherine's Road,
Hendon on Thames, Oxon.

Unit trust prices row

From Mr P Edwards.

Sir, A barrack room row is brewing at the moment. It has already been heated through your columns between the old masters of the unit trust industry and the newly-promoted and restless Lancet Corporate SIB. This jumped-up brainbox is actually questioning some hallowed regimental customs and the troops don't like it. They're wrong, as it happens, on several points, but absolutely right on the main one - a bizarre proposal that unit trusts should be dealt with in kind, without a price being quoted and agreed as between the two parties.

Readers can readily see why we find this prospect hilarious. Taking just last month, on behalf of some of our clients we made 182 deals with 41 different unit trust management companies. We placed £3.3m into various unit trusts in 817 separate purchases, the cash in the main being raised by 735 separate but linked sales.

We hope our random but real figures typically illustrate our point, and which other brokers' figures would equally support. That as everyone has the SIB knows, these days the vast majority of unit trust sales are put through by investors to fund new unit trust purchases.

We must therefore ask SIB to consider very fully how its 'forward-pricing' proposal affects this question of 'pairs' of deals. We suspect it has not been accorded the importance it deserves - certainly, we have seen

no consideration given to it in any comment to date. Yet, in our view, the price of a unit of ten purchases are linked to a parallel sale.

If it is so important that the price at which an investor goes out of a fund on say a Tuesday should reflect the freshest practical prices of the underlying shares on Tuesday, and not late on Monday, then fund managers should be required to set new prices by a Tuesday late time valuation. That new price would then be quotable by the dealers over the telephone, and they would deal on it for the rest of that trading day. This price then goes overnight into the next day's FT, and investors can continue to deal on it up to the lunchtime valuation. And so on.

That is, there would be two sets of prices each day, either side of a dead period or 'half-time' in the middle of the day when managers revalue.

This proposal is neither forward or backward pricing. It's half and half. No-one will really like it, but it will work, and it will be marginally 'fairer' than the present drill. We urge SIB to acknowledge that new customs need to be firmly based on practicalities, ie, they must do the job without creating more problems than they solve. Or the troops (and their camp followers) will not respect them. Peter Edwards,
President Unit Trust Brokers,
54 Baldwin Street, Bristol.

Consultation and education

From Councillor J Hegarty.

Sir, Lady Porter's claim (October 10) that the City of Westminster intends to consult widely about the council's plans to take on responsibility for education is deliberately misleading. She has made it clear in other forums that she will consult no-one about the principle of Westminster running education. Consultation will be limited to certain details of the proposal to be put to the Secretary of State.

My point is that parents and students have a right to a say in this matter. This could be achieved either through a proper consultation procedure laid down in the forthcoming Education Bill, or better still by awaiting the results of the 1989 borough council and ILRA elections (Councillor Joe Hegarty, Westminster City Hall, Victoria Street, SW1).

My point is that parents and students have a right to a say in this matter. This could be achieved either through a proper consultation procedure laid down in the forthcoming Education Bill, or better still by awaiting the results of the 1989 borough council and ILRA elections (Councillor Joe Hegarty, Westminster City Hall, Victoria Street, SW1).

Cake potentially greater

From Dr A Drobny and Mr G Hatjoulis.

Sir, We fear that Professor Butler and Mr Benn (Bake a Bigger cake, (October 15)) may have overstated their argument that the UK economy is not in danger of overheating, by repeating the popular fallacy that 'the growth in demand has been uncomfortably weighted towards consumption rather than investment'. Investment expenditure has grown at an annual average rate of 4.3 per cent since 1983 compared to consumption growth of 4.9 per cent. More important manufacturing investment has grown at a rate of 6.9 per cent.

It is certainly true that investment growth was very sluggish in 1986 but this can, at least in

part, be explained by recent changes in the tax treatment of investment expenditure. Moreover, total investment expenditure in the first half of this year has been growing at a rate of 4.6 per cent while the DTI informs us that investment in manufacturing in 1987 is expected to grow by 6 per cent. If one allows for the quality and thus productivity, of a new capital is likely to be considerably greater than the stock it replaces, there seems to be good reason to believe that the potential 'cake' is indeed greater than it is widely recognised!

Dr A Drobny,
G Hatjoulis,
Bankers Trust Co.,
68 Old Broad Street, EC2.

Objectives for the DTI

From the Director, Society of British Gas Industries.

Sir, Members of this society applaud Lord Young's proposals for objectives for the Department of Trade and Industry, but find some of them hard to reconcile.

Manufacturers of gas appliances particularly welcome his talk of a fair level of protection for the consumer, and all manufacturers have actively supported the need for improvements in quality. His aim for a reduction of restrictive practices is also one to which we all subscribe.

These aims, however, must not be to the detriment of the consumer, or indeed of manu-

facturers, and we must ask, for example, whether he will continue to allow the import of gas appliances without evidence of conformity with British Standards.

Lord Young should also say what action he proposes to take to encourage major purchasers to accept third party quality assessment certification to BS 5750 and so avoid the scourge of multiple assessment with which the industry is still plagued. The gas industry will be watching to see whether his fine words are matched by speedy legislative action.

Bill Stenden,
36 Halls Way,
Leamington Spa, Warks.

Commission plans for new levies in sugar

From the Director for Corporate Affairs, British Sugar.

Sir, In your issue of October 14, you report on the Commission's plans to introduce new levies in the sugar regime and comment that 'the Germans and French, as the biggest producers, would pay the lion's share of the new levies, while Britain, as a deficit country, would get away relatively lightly'.

I am astonished that you can come to such a conclusion when in fact the reverse is true. The major surplus producers - Denmark, Belgium, France, The Netherlands and Germany - will be paying a 47 per cent increase in levies, while the UK, Ireland,

Italy, Greece, Spain and Portugal, none of whom produce a single tonne of surplus sugar, will be paying, on average, an extra 20 per cent. In effect, the Community's deficit producers will be paying swinging levies in order that the surplus producers can continue to produce their surpluses safe in the knowledge that, not only will their bills be met, but also that no-one will be asking them to replace their surplus.

These proposals for the sugar sector do not represent one of the agricultural 'stabilisers', of which the Commission now seems so proud, because the essential link between Budget

cost and production level is simply not there. As a result there is no requirement to reduce surplus production. And why? Because producers and not Governments are footing the bill. If Governments had to pay up, you can be sure that steps would be taken to reduce surpluses, however 'tough' the Commission's line seems at present on the national scene.

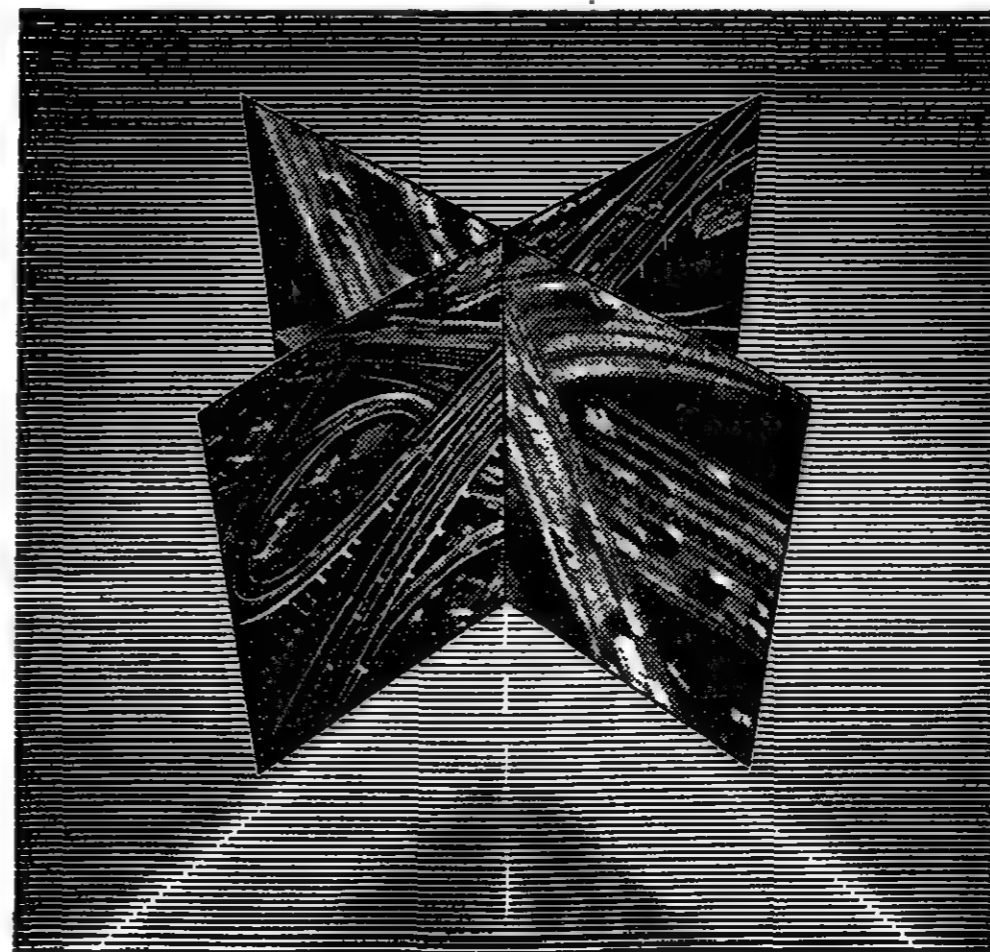
To put this into perspective, the UK sugar industry's levy bill this year alone will rise from £20m to £31m - an increase of 50 per cent. This sum represents a direct transfer from our sugar industry to the industries of the surplus-producing countries,

not a transfer from the UK exchequer into Community funds. So we have £31m less to develop our business and to maintain jobs in the UK, while someone else has £31m more.

This is crazy. What is required is a return to the general principle that those who produce surpluses should pay for them. A principle which used to apply in the sugar regime, but unfortunately does not any longer.

Simon Harris,
PO Box 26,
Oundle Road,
Peterborough,
Northants.

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Martens resigns in wake of language row

BY WILLIAM DAWSON IN BRUSSELS

BELGIUM'S centre-right coalition Government finally fell yesterday morning when King Baudouin accepted the resignation of Mr Wilfried Martens, the Prime Minister.

King Baudouin immediately asked Mr Martens to form a caretaker government to prepare the elections for wide-ranging constitutional reforms and to carry on routine business before calling elections, expected either in mid-December or mid-January.

Mr Martens, leader of the Flemish Christian Democrat party (CVP), offered his resignation last week in the wake of a long political row in which French-speaking mayor who refuses to prove knowledge of the official Flemish language of his village. But King Baudouin put off accepting until he had time to

consult political leaders on both sides of the French-Flemish divide.

The former Belgian Premier started talks with his old coalition partners yesterday in an attempt to form an interim government within the next few days. He is aiming to model the new administration on the former four-party Government of CVP, Flemish Liberals (PVV), French Social Christians (PSC) and the French Liberal Reform Party (PRL), though there were doubts yesterday over the PSC's willingness to take part.

By asking the caretaker government to draw up comprehensive legal reforms, King Baudouin has offered the Flemish Parliament the chance to tackle the whole range of political and cultural tensions of which the

present linguistic dispute is the most dramatic symptom. The village row that brought down this Government concerns Mr Jose Happort, the French-speaking mayor of Les Fourons, or Voerens as his Dutch-speaking opponents would like him to call it, is only one of the galaxy of issues the new government will have to tackle.

Another is a proposal supported by all coalition parties except the PSC to transfer responsibility from national to regional authorities. The PSC fears that this could isolate its Catholic supporters in the south of the country, where the party's Socialist opponents hold the majority in regional government. The process will also be an opportunity to reopen stalled discussions on a compromise proposal that

would have led to a slight relaxation of the language rules as well as the dismissal of Mr Happort.

The caretaker administration's powers will be limited to emergency measures which articles of the constitution should be opened for debate in what will be Belgium's fifth constitutional reform package this century. Once outline reforms have been prepared, Belgian law says down that they can only be voted through parliament after a general election.

Moreover, the package will need a two-thirds majority in the 212-seat parliament, rather than a simple majority for routine legislation, a requirement which could either help to create political consensus or lead to another deadlock.

Ian Rodger in Tokyo assesses the career and future prospects of Mr Noboru Takeshita

Japan's man for all moments

EVEN close associates of Mr Noboru Takeshita, chosen last night to be Japan's next Prime Minister, acknowledge that he does not know much about economics or foreign affairs. But they argue, he is the ultimate grassroots politician, in touch with the mood of the people and with currents within the ruling Liberal Democratic Party.

They say he is the man for the moment, the one who can convince the Japanese that they must change their ways and behave more in harmony with the international community.

While Mr Takeshita Nakasone, the present prime minister, has excelled at developing new policy directions for the party, they claim that Mr Takeshita can convert plans to action.

Mr Takeshita has certainly long been known best for his skills in the back rooms of Japanese politics, ironing out tensions and building consensus, whether within the party or his faction or any of the many cabinets in which he has served.

The guiding theme of his political platform is "furusato" - home village - the basis for his emphasis on local support and consensus. He describes himself as the type of leader that likes to coordinate, and bring about a steady buildup. Now he claims he can achieve this on the international stage as well.

Mr Takeshita was born in 1924, the eldest son of a sake brewing family in western Japan. His studies at the School of Commerce at Tokyo's Waseda University were interrupted during the war when he trained pilots. But he completed them in 1947, returning to his home town where he taught English in the high school.



Noboru Takeshita: waited patiently for the call to office

Following in his father's footsteps he soon became active in local politics and was elected to the Shimane prefectural assembly in 1951. He won his first election to the national Diet (parliament) seven years later and has been there ever since.

He entered the cabinet in 1973 as chief cabinet secretary under prime minister Eisaku Sato, and participated in the negotiations leading to the return of Okinawa from the US. In a subsequent cabinet he was construction minister before serving as finance minister in a succession of cabinets from 1979 until last year when he became LDP secretary-general.

During his tenure as finance minister, he had various high level international roles - he chaired the board of governors of the IMF in 1985 and the Group of Ten in 1986 - but apparently made little impression on other leaders.

Like many Japanese political leaders, Mr Takeshita has some close family links with other politicians. His eldest daughter married the eldest son of Mr Shin Kanemaru, deputy prime minister and minister.

Mr Takeshita looked for a long time like the man who would inevitably become prime minister by patiently waiting for his turn. But an upheaval in the 1970s in the faction of which he was a leading member nearly dashed his hopes.

The former leader of the faction, Mr Kakuei Tanaka, resigned in disgrace as prime minister in 1974 following some questionable real estate deals. Mr Tanaka maintained his grip on the faction, however, which was the last of those making up the LDP. Mr Takeshita was

urged to break away and set up his own faction on the grounds that the Tanaka faction would never get the prime minister's office again until it was separated from Tanaka.

But Mr Takeshita remained loyal, hoping that Mr Tanaka would soon pass the mantle onto him. However, Mr Tanaka refused to give way and Mr Takeshita finally took a gunnery step towards breaking away in 1985, setting up his own "study group" within the faction. This merely enraged Mr Tanaka and, according to some, led to his suffering a debilitating stroke.

Mr Takeshita still remained loyal, enduring occasional insults from Mr Tanaka. Last January, for example, the Tanaka family refused to receive him when he came to their home to pay his respects.

However, the pressure to break away was becoming unbearable, as Tanaka faction members, who had not had a leader in power since 1974, were becoming increasingly impatient. In July he finally broke away and surprised his old faction by taking 113 of the 141 Tanaka faction members with him.

Mr Takeshita is not known for activities outside politics. He has a peaceful nature, and now plays a couple of rounds of golf every month. He claims to like Samurai films, Japanese paintings, Kakei ballads, Japanese-style meals and sake.

In a recent interview, his wife, Noko, was asked for her comment on her husband. "He does not require too much sleep," she is pleased and a lot of fun at home, though he has dignity as well."

Indians go into Jaffna despite stiff opposition by Tigers

By Mervyn De Silva in Colombo

INDIAN TROOPS advanced slowly into the centre of the Sri Lankan city of Jaffna last night, marking which articles of the constitution should be opened for debate in what will be Belgium's fifth constitutional reform package this century. Once outline reforms have been prepared, Belgian law says down that they can only be voted through parliament after a general election.

Moreover, the package will need a two-thirds majority in the 212-seat parliament, rather than a simple majority for routine legislation, a requirement which could either help to create political consensus or lead to another deadlock.

Meanwhile, in eastern Sri Lanka, the Indian External Affairs Minister, who has been holding out for 10 days against an Indian force now estimated to be 6,000 strong, conditions are said to be dire.

Government officials in Jaffna have attempted to contact President Jayawardene to inform him of the situation.

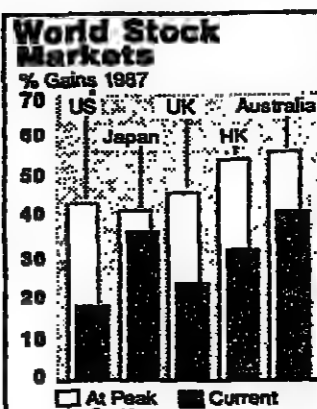
There is an acute shortage of food, water and fuel in the town, which has a peace time population of 130,000. There has been no electricity since the October 11. There are more than 50,000 refugees in the university campus and two school buildings, which have been used as temporary shelters. An epidemic is feared as the hospital cannot cope with the sick and wounded.

The Indian Government announced that a relief ship will arrive in Kankesanthurai, Sri Lanka's most northern port, with food and medical supplies. A 32-member team of Indian Red Cross officials will supervise the distribution of food, fuel, medicine and other essentials.

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THE LEX COLUMN

A question of confidence



The market's natural instinct yesterday was to conceal its shock by claiming the whole collapse had been predictable. But in truth, for London it came from an almost clear sky. Rising US and German interest rates were not supposed to affect UK equities, since Mr Lawson had cleverly anticipated all that back in August. And though markets have been known to over-react when a bear trend has been established, who could conceive of a ruinous 11 per cent plunge in a market perched near its all-time high?

The sheer extent to which records were broken brought out a rash of explanations, not all of them good. The two obvious differences between now and 1974 are the new dealing system and the rash of derivative instruments such as index futures. Both will have played a part, but new dealing systems had nothing to do with the astonishing collapse on Wall Street. At least as important was the bizarre circumstance of London being out of action on Friday, when the real set in, producing a whiplash effect yesterday morning - proof if it were needed that suspending trading in these conditions would do more harm than good.

Monetary policy

The scale apart, yesterday came as a shock to bond investors. Yields in all the world's bond markets have risen sharply since the summer as concern over inflation and consequent rises in interest rates had increased. Indeed the widening yield gap has suggested for a while, to those who still looked at it, that shares were overvalued.

It took two events to bring home to equities that bonds were worrying about something serious - the small rise in West German interest rates two weeks ago and last week's poor US trade figures. The two together suggest that just when the dollar faces another bout of downward pressure, the Bundesbank will be unwilling to intervene in its support because of domestic monetary considerations. Hence the repeated attacks on German policy by US Treasury Secretary Baker yesterday. Despite remarks by the German finance minister that the Louvre accord would continue, the previous confidence that G7 could keep the dollar's decline without un-

leashing inflation or putting up interest rates has shattered.

The main concern now is how the US handles its monetary policy and currency while battling to reduce the trade and budget deficits. The US must find buyers for \$28bn of Treasury bonds next month, and as debtors or nations have frequently found, it is the creditors who set the terms. US Treasury yields are already discounting a further rise in discount rate. Too small an increase would raise concern that Mr Greenspan, who is still a new boy at the Federal Reserve, is insufficiently tough. Too large a rise might threaten the US economy, in election year too, with knock-on effects on other countries' economies.

Global equities

With the benefit of hindsight, it is easy to argue that the early Autumn most of the world's major stock markets were more than fully valued by the year's end. But the US, waiting for an excuse to fall, the Tokyo stock market peaked only last week, having risen by over 40 per cent since the start of the year, and other markets ranging from Hong Kong and Australia to Spain, Sweden and Switzerland have all reached new highs within the last three weeks. By the beginning of October, Goldman Sachs had estimated that even if the heavy Japanese stock market valuations were excluded, the world stock markets were selling on a multiple of 16.2 times prospective earnings, or nearly a third above the average multiple between 1982 and 1984.

Some sort of correction looked overdue, particularly in

the US where even after the latest savage corrections, the earnings multiple on the S & P 500 remains high by historical standards. The dramatic rise of Wall Street has been fuelled by two rather unstable elements. Since 1984 close to \$300bn of equity has been taken out of the market by corporate takeovers, share buybacks and leveraged buyouts, with the result that the supply of equities has been shrinking at an annual rate of around 3 per cent. At the same time foreign investors, led by the Japanese, have been piling into US equities. Traditionally, net foreign investment in US equities has never topped the \$5bn mark. However, last year, over \$18bn net flowed into the market and in the first half of the current year foreign investment in US equities has been running at an annual rate of close to \$40bn. Remove these two props and it is far more difficult to make out a continued bullish case for Wall Street.

The real question is how far the rest of the world has cause to worry about this, or for that matter about the fact that Tokyo roughly the same size as Wall Street - has not yet shown serious signs of cracking at all. By any standard, Japan is surely overvalued. If the plunge in world equities has been triggered by a change in how long Japan hold out against the recent doubling in domestic bond yields?

Finding a floor

What has upset markets as much as anything else is the fact that markets have shown themselves capable of this kind of unthinkable one-day movement. Many fund managers simply refused to deal yesterday, on the grounds that objective decisions are in these conditions impossible. In rational terms, the threat of a US recession, a combination of a falling dollar, rising world interest rates and a US recession. Compared with just a month ago, everything suddenly looks much more fragile.

In falling markets, the trick is to find the least bad performer. Almost by elimination, this leaves Europe, and a strong candidate could be the UK. Barring disastrous official statistics this week, there is no domestic justification for a rise in interest rates. The corporate sector, too, is financially much more robust in the UK than the US. But even in London, it would take a brave investor to start buying today.

No EC agreement on reform package

BY QUENTIN FEELE IN LUXEMBOURG

EC MEMBER states were yesterday drifting apart in their efforts to reach agreement on a radical overhaul of their future finances, making it even less likely that they will agree on a deal by the current deadline of their December summit meeting in Copenhagen.

Discussions were launched yesterday by three and agriculture ministers on key elements in the reform package, without any sign of compromise between hard-line budget disciplinarians like the UK - and other member states.

Sir Geoffrey Howe, the British Foreign Secretary, was said to be "dismayed" by the failure of other foreign ministers to recognise the need to agree on detailed figures to stabilise the soaring costs of the Common Agricultural Policy.

He quoted the conclusions of the Brussels EC summit in June - agreed by all the member states except the UK - committing them to a total package of measures by the Copenhagen summit.

The British position remains absolute insistence on clear and effective "stabilisers" being imposed on every commodity sector in agriculture, before the UK will agree to any increase in national contributions to the EC budget in 1988.

Other member states, and the European Commission, seem to be prepared to accept a vaguer

"political agreement" on budget discipline in order to get some package deal by the December summit.

Sir Geoffrey yesterday criticised a Commission plan to include a "monetary reserve" in any attempt to cap farm spending, to guard against future falls in the value of the dollar, requiring greatly increased farm export subsidies.

Mr Jacques Delors, the Commission President, said his proposals would allow for both efficiency and flexibility.

The British position remains the most hard line, but it does appear to have shifted on one key aspect - switching from the present system of national contributions based on value added tax, to one linked to gross national product.

The Commission has proposed a combined system of VAT-based and GNP-based. British officials now suggest that they would like to see a complete switch to the GNP system because it would tie contributions more directly to national prosperity.

Italy is fiercely opposed to any such suggestion and it would also hit member states such as West Germany, the largest net contributor, Denmark and the Netherlands. France, however, like the UK, would benefit and become a smaller net contributor if the GNP system were introduced.

Record falls on Wall Street

Continued from Page 1

THE market on Friday in moderately buoyant spirits expecting a mechanical bounce-back, took a much gloomier view.

So overwhelming was the imbalance of sell orders that the NYSE's specialist floor traders were unable to make prices in most of the key institutional stocks.

Taking their cue from tumbling prices in Tokyo and London and the Dow's 9.5 per cent collapse in the week to last Friday, both institutional and individual investors seemed to be willing to unload their whole portfolios as the market opened. Only a few firms managed to find themselves unable to sell such "liquid" stocks as IBM and General Motors as buyers simply vanished from the market. Nearly an hour after the market's official opening, two-thirds of the constituents in the 30-share average had still not traded, while the Dow continued to fall relentlessly on the few companies which were changing hands.

By 10.30, when IBM and other blue-chip stocks and the Dow had fallen 210 points, or 9.12 per cent, from its close last Friday. The bond market too was pummeled by the universal selling pressure. It opened nearly two points down, reflecting weakness of the dollar and weekend reports that Mr James Baker, the US Treasury Secretary, was ready to abandon currency stabilisation. In a vain attempt to calm the situation, the Federal Reserve Board stepped in with massive money market intervention in mid-morning.

The effects were short-lived.

The bond market recovered briefly to a one point loss and the Dow cut its losses to around 180. Within an hour of the Fed's intervention the Dow's losses were once again over the 200-point mark and October 19 1987 was set to go down in history as the bloodiest day in the history of the New York Stock Exchange.

Lying behind the plunge on Wall Street, and affecting the outlook on other equity and bond markets, are concerns about inflation, the dollar, persistent global trade imbalances and rising interest rates.

The worry centres on the US where the dollar has fallen 40 per cent over the last two years and appears to have made only modest inroads into the huge US trade deficit. The fear is that the deficit will lead to a falling dollar.

The Japanese equity market fared better, displaying something of a sense of independence from Wall Street's problems based on fundamental confidence about the domestic economy and the fact that the Japanese market had already retrenched heavily earlier this year.

The Nikkei lost 620.18 points, the sixth largest drop ever in absolute terms but only a 2.4 per cent drop in percentage terms.

World bond markets did not escape losses as US Treasury and yields soared. The yield on the benchmark 30-year Treasury bond surged to 10.4 per cent yesterday, pushing UK Government bond prices down by nearly three points and West German domestic bonds 1 1/2 points lower.

Heavy selling on European bourses

Continued from Page 1

IN Frankfurt, shares fell by 7 per cent. The Commerzbank index dropped 132.5 points from Friday's close, the largest daily points fall ever.

The Paris share price index fell by 9.7 per cent, the worst one-day fall since 1961, when the election of a socialist president wiped 14 per cent off share values.

In Amsterdam, the CBS all-share index fell 13 per cent to its lowest level since the index began in 1985, and in Oslo, the

all-share index of Norwegian equities dropped 32.75 points for the biggest daily points fall on record.

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US attacks Iranian oil platform

Continued from Page 1

IR-flagged war, and that Iran would avenge the US action with a "crushing blow". President Seyyed Ali Khamenei said the attack was "a big mistake" and vowed to retaliate.

The Soviet Union termed the US move armed aggression and adventurism. Mr Mikhail Krutikhin, a commentator for the Soviet news agency Tass, said the attack on the oil platform came after the US had rejected ways of ensuring the freedom of Gulf navigation by action within the United Nations framework. He accused the Pentagon of trying to "lay hands on permanent military bases in the Gulf."

The seriousness with which Moscow views the attack in the Gulf appeared to be underlined when Mr Mikhail Gorbachev, the Soviet leader, and Mr Eduard Shevardnadze, the Foreign Minister, left the opening session of the Soviet parliament a few minutes after it started. Diplomats believed their abrupt departure was connected with events in the Gulf.

Among the US's staunchest allies and among congressmen in Washington there was strong support for the strike. Sir Geoffrey Howe, the British Foreign Secretary, said any country with naval forces in the Gulf might

be called upon to take "action in self-defence" similar to that of the US. He placed the entire blame for the latest escalation on Iran.

On Capitol Hill, Democrats and Republicans said the move was a "measured and appropriate response to Iran's missile attack on a US-flagged tanker in which 17 crew members were injured."

Congressional support for President Reagan's Gulf policy is vital if the US is to continue escorting Kuwaiti oil tankers through the strategic waterway.

Gulf War reports, Page 5; Editorial Comment, Page 16

World Weather		°C		°F	
Algeria	22	72	Dublin	10	50
Athens	24	75	Edinburgh	8	46
Bombay	30	86	Geneva	12	54
Buenos Aires	20	68	Hamburg	11	52
Calcutta	32	90	London	11	52
Cairo	28	82	Madrid	15	59
Chennai	30	86	Moscow	10	50
Cebu	28	82	New York	12	54
Dhaka	30	86	Osaka	15	59
Hong Kong	28	82	Paris	11	52
Kolkata	30	86	Rome	15	59
London	11	52	Seoul	15	59
Los Angeles	18	64	Singapore	28	82
Manila	28	82	Tokyo	15	59
Mumbai	30	86	Washington	12	54
Nairobi	22	72	Zurich	11	52
Rangoon	30	86			
San Francisco	15	59			
Singapore	28	82			
Sourabaya	30	86			
Taipei	25	77			
Tokyo	15	59			
Yokohama	15	59			

NEWS REVIEW

BUSINESS

New name in US welding

The acquisition of Selsky Bros by Ferranti plc has been finalised and now provides the Chicago, Illinois-based manufacturer of automated resistance, MIG and high energy beam welding and manufacturing systems with a broad foundation of laser technology to support its welding expertise.

The new name of Ferranti Selsky Inc has been selected to signify the increased resources and unique, multi-process welding solutions offered by the firm.

Ferranti Selsky will be under the guidance of the Dundee-based Ferranti Professional Components Division.

Indian relay

Ferranti Communication Systems Group announces the award of a \$2m order from NEI Power Projects of Gatchewad to supply a complete range of high performance radio relay systems to India.

The systems will link three locations in the Riband area, the site of a major super thermal power station being constructed by NEI for the Indian National Thermal Power Corporation.

Briefly ...

Cruselly Dynamics of Waltham has signed an OEM agreement with the Wythenshawe Division of Ferranti Computer Systems for the supply of high performance VARS graphics controllers.

Ferranti Offshore Systems has won the contract to supply both radio cabin equipment and an entertainment/public address system for the Conoco Viking platform.

ADVERTISEMENT

• AVIONICS

1000 for US Hornet

Ferranti has delivered one thousand Projected Map Assembly (PMA) units for the McDonnell Douglas F-16 Hornet fighter aircraft. The 1000 PMA was handed over to the Bendix Flight Systems Division of the Bendix Corporation, a subsidiary of the Bendix Corporation, at an official ceremony at the company's US headquarters in Rockford, Illinois, USA.

Customers for the PMA are the United States Air Force, the Australian Air Force and the Spanish Air Force. The contract is one of the largest and most successful to be undertaken.

Through its close association

with Ferranti in Scotland, Ferranti Defense Systems can offer a unique avionics systems design and integration capability. Display, electro-optics, navigation or radar systems can be supplied to fit individual requirements. Ferranti also offers complete packages which involve the design and manufacture in-house of total systems employing more than one of these technologies.

Ferranti Defense Systems is committed to long-term, sustained investment in technology, development and facilities expansion in the USA to sustain its position as a world leader in avionics technology.

• AIRPORTS

Ferranti nets Heathrow

Against the strongest international competition, Ferranti Computer Systems, Wythenshawe Division, has been awarded the contract by the Civil Aviation Authority for the United Kingdom's new Aeronautical Fixed Network (AFN) Message Handling System.

The new FERRANTI AERONET national switching centre will replace the existing Ferranti Argus 500 AFN Message Switch currently in operation in the control room at London Heathrow Airport.

The United Kingdom centre is one of the busiest AFN message switches in the world and has a significant role within the international Civil Aviation network expansion in the USA to sustain its position as a world leader in avionics technology.

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AT&T net income slips to \$505m

By Our New York Staff

AMERICAN Telephone & Telegraph, the largest US telecommunications group, yesterday reported a modest decline in third-quarter net income to \$505m, or 47 cents a share, from \$533m, or 48 cents a share, in the 1986 third quarter.

The group, which has been held back by losses from its computer operations, said revenues were \$8.47bn in the quarter, a modest increase from \$8.43bn in the September quarter of 1986.

In the nine months to September, AT&T earned \$1.55bn or \$1.42 a share as against \$1.31bn, or \$1.16 a share, after a \$77m, or 15 cent a share, special charge. Revenues were \$24.9bn against \$23.5bn.

As part of its attempt to bolster its computer division, AT&T yesterday announced a technology-sharing agreement with Sun Microsystems, a California computer company.

Meanwhile, MCI Communications, the telephone group struggling to break AT&T's hold on the long-distance market, yesterday reported operating net income of \$17m, or 6 cents a share, in the third quarter as against \$35m, or 12 cents a share.

A tax credit of \$5m increased this quarter's final net income to \$22m, or 8 cents a share, against \$18m, or 6 cents, after a special charge of \$17m for repayment of debt. Sales were \$994m as against \$910m in the 1986 September quarter.

In the first nine months, MCI's operating net income was \$44m, or 15 cents a share, against \$71m, or 26 cents a share. After various adjustments, reported net income was \$55m, or 19 cents, as against \$54m, or 20 cents, in the first three quarters of 1986. Sales were \$2.90bn as against \$2.67bn.

New orders for AT&T's 747/747s, Page 22

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New orders for AT&T's 747/747s, Page 22

US chemical industries post mixed results

CONTRASTING RESULTS were reported from the US chemical industry yesterday, with a sharp fall in third-quarter profits at Monsanto balanced by increases at American Cyanamid and Rohm & Haas, writes Our Financial Staff.

Monsanto's net earnings in the quarter fell from \$144m or \$1.50 a share to \$108m or \$1.20, while sales rose from \$1.88bn to \$1.95bn. However, the 1986 figures include net gains of \$33m from asset sales.

Monsanto said sales of its NutraSweet artificial sweetener fell from \$179m to \$177m in the third quarter due to a continuing decline in usage by the powdered soft-drink market. However, a growing market for diet sodas, about 90 per cent of which use NutraSweet, offset much of the sales loss.

At American Cyanamid, third-quarter operating net earnings rose from \$44.8m, or 49 cents a share, to \$54.7m, or 59 cents, on sales up from \$821.4m to \$1.04bn.

Rohm & Haas increased net profits for the period from \$37.3m, or 34 cents a share, to \$39.3m or 37 cents. Sales advanced from \$488.5m to \$540.5m.

Bally to sell health clubs

BALLY MANUFACTURING, the Chicago-based entertainment company, has agreed to sell its Health and Tennis Corporation subsidiary, the largest health club chain in the US, to a group of investors for more than \$500m.

The group said it would receive more than \$500m in cash, securities and assumed debt from a new company formed by investors including Citicorp Capital Investors.

Quebec challenges Ottawa over deregulation

By ROBERT GIBBENS IN MONTREAL

QUEBEC, which led the way in Canada's financial industry deregulation in 1983, is on a collision course with Ottawa over the ownership of financial institutions.

The Federal Government, reacting to the failures several banks and trust companies in Ontario and western Canada in the past five years, wants to tighten regulation of federally-incorporated institutions. Control by conglomerates, such as Inco, would be limited to 65 per cent and possibly less over time.

Ottawa supports the principle that widely held institutions are more desirable than those controlled by one or a few shareholders or conglomerates.

Mr Claude Castonguay, chairman of the Laurentian Group, a diversified financial services company with assets of C\$12bn (US\$9.23bn),

Doubt cast on response to BP share offering

By RICHARD TOMKINS IN LONDON

THE SHARP fall in the London stock market has severely jeopardised the chances of a strong response to the £7.5bn (\$12bn) offer of shares in British Petroleum.

The British Government nevertheless intends to press ahead with the issue and prospectuses for the share offering will appear as scheduled in national newspapers today.

As yesterday's rout in stock market prices took hold BP's existing shares quickly fell below the 300p price at which the new shares are being offered. They ended the day 34p down at 316p.

If the existing shares are still trading around that level when the offer closes on Wednesday next week, the new shares are likely to be perceived as unattractive and the response to the offer could be thin.

One City of London analyst said: "They could have a struggle on their hands to get the issue away at

this level. But a lot can happen between now and next week when the market is as volatile as this."

Other analysts pointed to the strength of the oil price yesterday following events in the Gulf and suggested that BP's price might be well placed for recovery once panic selling had died down.

The government's advisers believe that institutional investors would still regard the new shares as attractive at yesterday's price levels because they are being sold on a partly-paid basis and offer a comparatively high yield.

However, a minimum of 50 per cent of the shares being offered have been set aside for private investors in the UK. If these people are frightened away by the headlines in this morning's newspapers, the public response could be muted.

This would prove an embarrassment to the Government. At last week's launch, Mr Norman Lamont,

financial secretary to the Treasury, said of the BP offering: "It will be another step on the road towards real popular capitalism in this country."

He could not be contacted yesterday.

Any shares left unsold will be taken up by the underwriters, who tentatively agreed to accept unprecedentedly low commissions for the BP offering following criticisms that they had made easy money on earlier privatisation issues.

The binding nature of the underwriting agreement and the loss of face which a turnaround would bring have ruled out a postponement of the offer unless there is a collapse in world stock markets between now and the closing date.

Other privatisation stocks also tumbled yesterday. British Gas lost 15p to 145p, British Airways lost 25p to 215p, Rolls-Royce lost 22p to 194p and BAA lost 11p to 138p.

Trading losses in securities act as brake on J.P. Morgan

By ANATOLE KALETSKY IN NEW YORK

SEVERAL LEADING US bank groups, including JP Morgan and Security Pacific, reported modestly higher earnings yesterday.

JP Morgan, holding company for Morgan Guaranty Trust, the fifth largest US bank group, earned \$210m or \$1.18 a share after tax in the third quarter, 3.6 per cent up on the \$211m or \$1.15 it reported last year.

Among the factors weighing down the bank's results were significant trading losses in the securities markets.

Foreign exchange trading produced a profit of \$26.4m in the third quarter, well down on the \$43.1m it

earned the year before. The bank fared much worse in other markets, recording total trading losses of \$12.7m, against the profits of \$32.5m last year.

Morgan's interest earnings were also down, by 9.5 per cent to \$474.3m, as the yield on the bank's asset portfolio fell to 2.71 per cent from 3.13. These negative factors were offset by rapid growth in the bank's trust and agency business - up 22 per cent to \$168.7m - and fee and commission income, which grew by 40 per cent to \$154.3m.

Security Pacific, the seventh largest bank, posted net income of

\$120m, up 8.3 per cent on last year's \$111m. On a per share basis, Security Pacific's income was only 6.4 per cent higher at \$1.16 a share, because of slight earnings dilution resulting from the acquisition of Bancor Bancorp of Seattle in August.

Security Pacific enjoyed a 12 per cent increase in net interest income, to \$802.4m, while non-interest income grew by 14 per cent to \$471.6m. In the latter category, trading profits and most types of fee income increased. But capital gains on investment securities holdings totalled only \$600,000, compared with \$20.6m a year ago.

Rorer to distribute blood virus drug

By Our New York Staff

ROKER, the ambitious US pharmaceutical company, yesterday announced that it had received approval from Washington to distribute a new drug which could hinder the spread of AIDS to haemophiliacs.

Rorer, which is in the process of trying to take over A.H. Robins, the non-prescription drug company operating under Chapter 11 of the US Bankruptcy Code, said the US Food and Drug Administration had approved its drug Monoclonal, a highly purified form of the blood-clotting factor in plasma that haemophiliacs use to control bleeding.

The drug has been purified by a monoclonal antibody process from Factor VIII:C, which is required to treat haemophilia A. This is the most common form of the hereditary clotting disorder and affects more than 20,000 Americans.

Haemophiliacs frequently require blood transfusions and have been vulnerable to the spread of viruses in blood, most notably HIV which causes AIDS. But Rorer said yesterday that its studies had shown "there was a significant reduction in the titer (or concentration) of a variety of tested viruses, including HIV, during the product's manufacturing process."

Dr Peter Levine, a haemophilia expert at Worcester Memorial Hospital in Massachusetts who was involved in the clinical evaluation of the drug, said: "Monoclonal appears to prevent newly diagnosed haemophiliacs from being exposed to viruses."

Improved margins boost Unisys profit by 145%

By JAMES BUCHAN IN NEW YORK

UNISYS, the computer company forged last year by the merger of Burroughs and Sperry, yesterday reported a 145 per cent increase in net income in the third quarter to \$129.7m.

However, the earnings improvement, which followed an increase in operating margins and incoming orders, could do nothing for the company in the demoralised stock market. At one stage yesterday Unisys had lost almost 20 per cent of its market value as its stock price tumbled.

Earnings per share in the September quarter rose from 24 cents to 85 cents, despite a 36 per cent increase in fully-diluted common shares.

Sales revenues at \$2.23bn were ahead of the performance of the same businesses in the 1986 Sep-

tember quarter. Including revenues from businesses since sold, revenues in the 1986 third quarter were \$2.42bn.

Comparisons were also distorted because results from Sperry were not fully included until September 1986. However, Mr Michael Blumenthal, chairman of Unisys, said that the company remained confident its "1987 operational and financial targets set more than a year ago," at the time of the merger, would be met.

Net income in the nine months to September was \$361.1m or \$1.84 a share against \$145.1m or \$1.0 a share. Revenues were \$8.91bn against \$8.90bn.

Wang Laboratories, the maker of minicomputers and word processors which is in the middle of a

profits recovery, yesterday reported earnings of \$22.5m or 14 cents a share in its first quarter to September. In the September 1986 quarter the company lost \$30m.

Wang, which has been struggling to adjust to a mature market for its word processors, said that its sales revenues had climbed 16 per cent to \$683m. The sales and earnings growth was due in part to increased orders for its VS 7000 minicomputer series, which was introduced in January. Orders in hand stood at \$707m at the end of September, against \$701m a year ago.

Mr Frederick Wang, the company's president, said the results showed the company had made progress in "strengthening and managing our business more effectively."

FCA returns to red as loan and mortgage sales retreat

By OUR FINANCIAL STAFF

FINANCIAL CORPORATION OF America, the troubled leader of the US savings and loan industry, fell sharply back into the red for the third quarter as sales of loans and mortgage-backed securities, its life-preserver over the past two years, fell away.

The company, which Ford Motor is interested in acquiring through its First Nationwide financial services arm, said yesterday it was "exploring several alternatives for achieving value while raising capital."

Mr William Popejoy, the chair-

man, added: "Any proposal to acquire or restructure the company will be viewed by management from this perspective."

The quarterly net loss reached \$75.8m, or \$2.20 a share, compared with \$11.8m in profits (24 cents a share) in the same period last year. This came as the gain from loan sales fell to \$12.4m from \$93.4m.

The company said the income was reduced by adverse interest rate fluctuations.

For the nine months when these

credits brought in \$129.7m against \$284.0m, the net loss amounted to

\$243.4m (\$7.04 a share) compared with earnings of \$72.2m (\$1.60) at the same stage in 1986.

FCA said it had a net deposit decrease of \$415.4m in the latest quarter, resulting mainly from institutional deposits reacting to the company's pricing strategy and to its efforts to manage the cost of funds.

Deposits stood at \$18.9bn while loans were \$10.8bn against \$12bn a year earlier.

Assets contracted to \$33.4bn from \$34.1bn. Of these, non-performing or under-performing assets were \$1.34bn, down from \$1.77bn.

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BOWATER INCORPORATED THIRD QUARTER RESULTS

	9 Months ended 26 Sept '87	9 Months ended 27 Sept '86
SALES	US\$884.7m	US\$663.9m
INCOME BEFORE TAX	US\$110.3m	US\$60.0m
NET INCOME	US\$51.5m	US\$35.5m†
EARNINGS PER SHARE* (Fully diluted)	US\$1.35	US\$1.06

* Net income used in calculations of earnings per share has been reduced by the dividend requirement of the LBOB preferred stock.
† Net income for 1986 restated to reflect change in accounting for pension costs.

★ Strong demand for newsprint, lightweight coated paper and pulp was matched by higher prices and better margins.

★ Strong cash flow used to reduce company debt by almost US\$38 million during this quarter.

★ Operating income for Computer Forms Group rose 49% during the quarter.

Chairman and Chief Executive A.P. Gammie commenting on the third quarter results felt that his optimism at the half year had been fully justified and "With full order books and higher than average selling prices already in effect" was confident that "the fourth quarter will be even better than the third."

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Bowater Incorporated of Darien, Connecticut is the largest producer of newsprint in the USA, and a major manufacturer of coated publication paper, bleached kraft market pulp and continuous computer business forms.

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Virgin Group plc

has arranged for the trading of its sponsored ADRs on the
NASDAQ National Market System.

The undersigned acted as financial advisors to
Virgin Group plc.

The First Boston Corporation

Bear, Stearns & Co. Inc.

October 1, 1987

Cable and Wireless to merge HK offshoots

By David Doddwell in Hong Kong

CABLE AND WIRELESS, the UK telecommunications group, revealed plans in Hong Kong yesterday for the merger of its two local operating companies - Hongkong Telephone and Cable and Wireless (Hong Kong) - under a new holding company to be called Hong Kong Telecommunications.

The new company will be at least twice as large as any other company listed on the Hong Kong Stock Exchange, accounting for about 14 per cent of the Hang Seng index. The group's market capitalisation ahead of yesterday's stock market plunge would have been about HK\$32bn (US\$11.6bn).

Mr Brian Pemberton, managing director of the British group, said yesterday that the reorganisation would bring under one umbrella the two companies in Hong Kong that control the territory's telecommunications.

Hongkong Telephone has a franchise to provide local telephone services, while Cable and Wireless has a monopoly of international telecommunications into and out of Hong Kong. Both will retain their operating independence after the merger.

The reorganisation will have the effect of "localising" Cable and Wireless (HK), a move which has been seen as politically astute ahead of Peking's recovery of sovereignty in 1997.

It was revealed yesterday that the subsidiary's income in the year to March was HK\$2.64bn, which generated after-tax profits of HK\$1.39bn - accounting for about three-quarters of the total profit of the parent group. By comparison, Hongkong Telephone earned HK\$958m on turnover of HK\$3.2bn.

At present, Cable and Wireless owns 50 per cent of Cable and Wireless (HK) with the Government owning the remaining 50 per cent. The UK company owns about 78 per cent of Hongkong Telephone, with the remainder of the shares in public hands.

Under the first stage of the reorganisation, Hongkong Telephone will lose its public quotation. Existing shareholders are to be offered two shares in the new holding company in exchange for every Hongkong Telephone share they own. This will amount to about 9 per cent of Hong Kong Telecommunications' share capital. They will, in addition, be offered one warrant for every five new shares, with the right to exercise the warrant within five years at HK\$10.

The Hong Kong Government, which has held its 20 per cent stake since the UK Government floated the parent company in 1981, will exchange its holding for an 11 per cent stake in Hong Kong Telecommunications.

As a second stage of the reorganisation, both Cable and Wireless of Britain and the Hong Kong Government will sell to the public a 5.5 per cent stake in the company, boosting the shares in public hands to about 20 per cent, and reducing their holdings to 74.5 per cent and 5.5 per cent respectively.

This share placing, timed for January or February next year, is likely to provide a windfall to both major shareholders of about HK\$5bn. The Hong Kong Government originally paid HK\$700m for its stake.

It is understood that the Hong Kong Government will by early in 1989 dispose of its remaining 5.5 per cent stake, since as a matter of policy officials feel the Government should not have substantial equity stakes as part of the Exchange Fund which constitutes Hong Kong's reserves.

Three companies that are currently subsidiaries of Hongkong Telephone - CSL, which provides telephone equipment and related services, Integrated Business Systems (IBS) and Compasnia - will under the reorganisation become subsidiaries of the new holding company, leaving Hongkong Telephone solely operating its franchised telephone service.

INTL. COMPANIES & FINANCE

John McIlwraith on the Edsel of Australia's exploration industry

Anglo American prospects brighten

ANGLO AMERICAN Corporation, one of the world's mining giants, has a less than distinguished record in Australia. After 22 years unsuccessfully seeking gold and other minerals, the South African group has a reputation for being the Edsel of the Australian exploration industry.

Now, through a partly-owned local company, it finally has a significant project.

It will treat the dross of more than 80 years' tail on the Golden Mile, most of the 50m tonnes or so of soil that lies in tailings dumps (much of it reprocessed before).

The one part in 3m tonnes of gold that will be extracted should be the basis of a profitable operation, given the highly efficient gold extraction processes that now exist.

However, the project has attracted criticism in Australia, with claims that the company should not be allowed to manage the AS\$30m (US\$21.6m) venture. By an unhappy coincidence, the project was announced only a few days before South African Airways was forced to end a 30-year association with Australia. Its direct Perth-Johannesburg service has been banned by the Australian Government, as part of economic sanctions.

De Beers, Anglo American's sister company, markets most of the stones from Argyle, the world's biggest diamond mine, in Western Australia.

Anglo American has, by its own admission, never been successful as an explorer in Australia and in recent years instead has turned to buying interests in prospects either proven or promising.

The only gold mine it has launched, the Blue Spec, in the early 1970s, had a brief and disastrous career before being shut. But doggedly, Anglo American has remained a permanent if so far unprofitable migrant and indeed is in the process of naturalisation.

This year it floated most of its Australian interests in a local public company, Anglo American Pacific, with the Kalgoolie tailings dumps the major asset.

Embarrassment

Anglo American is still a little uncomfortable that it controls about 60 per cent of the Australian company but, as opportunistic critics in Australia, it will take in additional Australian shares to reduce its holding below the required 50 per cent.

Embarrassment over the company's South African connection was intensified last week when a West Australian state government body acquired a 15 per cent interest in the tailings venture.

Goldcorp, a company set up by the West Australian Development Corporation to promote the state's booming gold mining industry, will pay proportional costs of development, plus its share of exploration and proving expenses already incurred.

Perhaps with a touch of the quixotic, Anglo American Pacific may plunge into a similar operation in Fiji, to treat the vast tailings held there at the long-running Emperor mine.

The South African-Australian company will carry out feasibility studies into launching a tailings operation there similar to the one at Kalgoolie, presumably confident that a measure of political stability will return.

Even the Kalgoolie venture, as it is now known, has not run smoothly. Anglo American has held 32m tonnes in 16 dumps under option since 1979 but low gold prices and a shortage of water at first dewatered their processing.

However, by 1984 the project looked attractive enough for Anglo American to exercise its option over the areas, and by the end of 1986 a major source of underground water had been found a few kilometres away which enabled serious planning to begin. The project will require a tonne of water for every tonne of tailings treated, to sluice the vast plateaus into pipes where ultimately they will be treated in a carbon-in-pulp and carbon-in-leach circuit.

The scale of the project is such that it will require the treatment of 3.5m tonnes of tailings a year to produce just 40,000 ounces of gold. The yield will be an average of 0.3 grams per tonne, which, given today's gold prices, will provide an income of between A\$7 and A\$8 a tonne. Operating costs are expected to be no more than A\$4 a tonne.

The project has faced some challenges in local courts and changes to state legislation will be necessary to give it secure tenure of its dumps.

Even allowing for financial and other charges, the venture is expected by analysts to provide a profit of more than A\$10m a year.

Loan access
The newly public company is well set up to launch the venture, with cash of more than A\$10m and access to the kind of gold loan which will incur very modest interest charges.

It already has a cash-flow of sorts, through a 40 per cent interest in the Mt Morgan gold tailings treatment operation in Queensland, which is managed by Peko Waddell.

That has a capacity of 4m tonnes a year and is expected, when in full production, to yield 50,000 ounces of gold at its peak.

The Kalgoolie venture has the attraction of another possible 17m tonnes of tailings controlled by other companies but which, after negotiation, could be treated by Anglo American Pacific. The new company has a number of other gold prospects.

After its many years of frustration and expense in unsuccessful exploration in Australia, Anglo American must be gratified to see some cash flow from its operations, and even the likelihood of some profits in the next few years.

Randfontein Estates hit by miners strike

BY JIM JONES IN JOHANNESBURG

THE three-week strike by black miners hit the Randfontein Estates mine of Johannesburg Consolidated Investment, particularly hard in August and sharply reduced the working profit in the September quarter.

Mr Ken Maxwell, chief executive, said yesterday that 70 per cent of underground production was lost during the strike and that it was not possible to process surface dump material as men were on strike in the mine's processing plant.

Production continued to be disrupted after the strike had ended as men had to be re-hired or new men trained. Some of the effects are still being felt.

About 207,000 tonnes of ore were lost because of the strike and only 1.7m tonnes were milled by the end of the September quarter against 1.92m tonnes in the period to June. The mine's overall recovery grade dropped to 2.5 grams per tonne (g/t) from 3.0 g/t as a greater proportion of low-grade surface dump material was milled.

Mr Bob Bertram, the mine's consulting engineer, hopes that monthly mill throughput of underground ore will recover to 550,000 tonnes by the end of this year. Nevertheless, capital expenditure is being cut to conserve cash in the wake of the past quarter's profit collapse.

Western Areas, which is also managed by JCI, was largely unaffected by the strike despite reports at the time that many of the mine's black employees had downed tools.

Production is recovering from the effects of earlier labour disruptions which arose from disputes over redundancies caused by mechanisation of underground operations. Nonetheless the mine suffered another operating loss.

Working losses have been reported each quarter this year though the June quarter's results have now been adjusted to take into account a R5m (R2.5m) rebate of service fees by JCI. The amount is a refund of part of the past year's service charges, though Mr Maxwell could not say yesterday what percentage of the total charge it represents.

Genbel, the Gencor group's investment holding company, is negotiating the transfer of its precious metals mineral rights to Marikopa, the veteran gold mine managed by Gencor.

If the deal is completed, Genbel will become purely a investment holding company while Marikopa can provide tax benefits and an immediate stock exchange quotation if it is converted to a mining holding company.

Most of Genbel's mineral rights are adjacent or close to existing gold mines and several are expected to be incorporated into operating mines in the near future. Normally the company does not participate directly in the establishment of new mining operations.

Negotiations are taking place to transfer mineral rights on the Witkiesfontein farm to the Kinross gold mine and this is expected to be followed by the transfer of rights on the Witkiesfontein farm to the Witkiesfontein mine. Other transfers are expected in the Orange Free State where several new gold mines are on the way.

	JCI GOLD QUARTERLIES			
	Gold produced (kg)	After-tax profit (Rm)	Earnings per share (cents)	
	Sep 87	June 87	Sep 87	June 87
Randfontein W Areas	4,847	5,760	36.88	66.97 (92.6)
	2,230	3,084	(2.96)	2.17 (34.2) (15.7)

Earnings per share calculated after capital expenditures. Figures in parentheses are negative.

at was milled. Mr Bob Bertram, the mine's consulting engineer, hopes that monthly mill throughput of underground ore will recover to 550,000 tonnes by the end of this year. Nevertheless, capital expenditure is being cut to conserve cash in the wake of the past quarter's profit collapse.

Western Areas, which is also managed by JCI, was largely unaffected by the strike despite reports at the time that many of the mine's black employees had downed tools.

Production is recovering from the effects of earlier labour disruptions which arose from disputes over redundancies caused by mechanisation of underground operations. Nonetheless the mine suffered another operating loss.

Working losses have been reported each quarter this year though the June quarter's results have now been adjusted to take into account a R5m (R2.5m) rebate of service fees by JCI. The amount is a refund of part of the past year's service charges, though Mr Maxwell could not say yesterday what percentage of the total charge it represents.

Genbel, the Gencor group's investment holding company, is negotiating the transfer of its precious metals mineral rights to Marikopa, the veteran gold mine managed by Gencor.

If the deal is completed, Genbel will become purely a investment holding company while Marikopa can provide tax benefits and an immediate stock exchange quotation if it is converted to a mining holding company.

Most of Genbel's mineral rights are adjacent or close to existing gold mines and several are expected to be incorporated into operating mines in the near future. Normally the company does not participate directly in the establishment of new mining operations.

Negotiations are taking place to transfer mineral rights on the Witkiesfontein farm to the Kinross gold mine and this is expected to be followed by the transfer of rights on the Witkiesfontein farm to the Witkiesfontein mine. Other transfers are expected in the Orange Free State where several new gold mines are on the way.

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New issue / October, 1987

£100,000,000

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Rowe & Pitman Ltd.

NEW WITS LIMITED

(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP

(Registration No. 65/0422/86)

SUBDIVISION OF SHARES

At the annual general meeting of this company held on 15 October 1987, the following special resolution was passed:-

Company	Increasing Authorized Capital	Reduction of Shares
New Wits Limited. (Registration No. 65/0422/86)	From R6 000 000 to R12 000 000 shares of 50c each to R7 500 000 to R12 000 000 shares of 50c each	Reduction of 25 000 000 shares of 50c each to 25 000 000 shares of 25c each

A circular containing a form of surrender has been posted to the registered shareholders of the company and shareholders should submit the completed form of surrender to the Transfer Secretaries at the address shown on the form of surrender.

The Johannesburg Stock Exchange has agreed to amend the listing of the New Wits Limited shares with effect from 24 December 1987. A similar application has been made to the Council of The Stock Exchange, London, to effect the necessary amendment to the listing of this company's shares on that exchange.

Dealt on The Johannesburg Stock Exchange and on The Stock Exchange, London, until the close of business on 11 December 1987, in respect of this company, will be in existing share certificates and dealt with effect from 14 December 1987 will be in new share certificates.

Registered and Head Office:
73 Faneuil Street,
Johannesburg 2001.
10 October 1987

London Office:
Charles 11 Street,
St. James Square,
London SW1V 4AE.

United Kingdom Registrar:
Hill Samuel Registrars Ltd,
& Generalist, Phipps,
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20th October, 1987

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INTL. COMPANIES & FINANCE

Renault reorganises Iberian units

BY PAUL BETTS IN PARIS

RENAULT, the French state-owned car group, has launched a strategic reorganisation of its large Spanish and Portuguese operations, in an effort to preserve its strong position in these markets as competition intensifies with the integration of the two countries in the European Community.

The company has already integrated its separate Spanish and Portuguese operations under a new management structure for the whole of the Iberian peninsula, with Mr Francis Stahl taking responsibility last month for all the Iberian operations.

Mr Stahl, former head of Renault's overseas businesses, the Direction des Affaires Internationales, said the company intended to integrate its Spanish and Portuguese operations into Renault's general industrial production system, to enhance competitiveness and productivity.

Up to now, these operations have been run as separate entities serving the needs of their respective markets.

In Spain, through its Fasa subsidiary, Renault currently commands more than 25 per

cent of the market.

In Portugal, where Renault has developed a strong industrial presence during the past eight years through an association with the Portuguese Government, the company has seen its market share rise from about 25 per cent in 1980 to 33 per cent this year.

Its nearest rivals in Portugal are Fiat and General Motors, each with nearly 12 per cent of the market.

In spite of its strong industrial

At present, Renault makes in Spain the R5 mini, the R9 and R11 medium-sized saloons, the bigger R21 and its station wagon model, as well as the small R4 van.

In future, the group intends to concentrate production in Spain on three models. Renault currently produces 1,500 cars a day in Spain but has capacity to increase production to 1,750 cars a day.

In Portugal, where Renault produces 280 cars and vans a

group will integrate its engine and components manufacturing operations in the two countries. Mr Stahl said Renault was also planning to manufacture a new engine in Spain.

In spite of Renault's well-publicised problems in France - the Government is expected soon to announce a Bill to change the privileged status of the company as a state enterprise, coupled with a recapitalisation of the group's balance sheet - the Spanish and Portuguese operations have been good money makers for the French company.

Last year, Fasa made a FF441m (\$73m) profit on sales of FF14.6bn and the Portuguese subsidiary is expected to make a profit of about FF300m this year - more than Renault's original cash outlay of FF280m for its Portuguese industrial investment.

Under the circumstances, it is hardly surprising that Renault is seeking to strengthen its industrial and marketing structure in the Iberian peninsula, to ensure these operations continue to pump in money in the more competitive environment of the unified European market of 1992.

The Spanish and Portuguese operations have proved good money makers for the company

al presence in these markets, Renault expects to face increasing competition as trade barriers disappear. The Portuguese market will be open to all European car imports from the beginning of next year, while the Spanish market has already seen an intensification of competition.

Renault will no longer produce a complete car range in Spain for the Spanish market and a separate range for Portugal.

day, the company manufactures the R5, the R9 and R11, as well as its Trafic light van.

Mr Stahl explained during a visit at the end of last week to Renault's Portuguese operations: "We now intend to specialise production in Portugal on two complementary models to the Spanish operations."

"This means we will make three models in Spain and two in Portugal in an integrated productive system."

At the same time, the French

New orders lift AT&T-Philips

BY DAVID THOMAS IN GENEVA

THE joint telecommunications venture between American Telephone & Telegraph (AT&T) of the US and Philips of the Netherlands is forecasting a big increase in turnover next year, following a spate of new orders announced yesterday.

The joint venture, founded in 1984, has been struggling to regain credibility in Europe since it failed to take control of CGCT, the second biggest French public exchange manufacturer, earlier this year.

However, in Geneva on the eve of a large international telecommunications exhibition, Mr EJ Eckel, AT&T-Philips president, announced new orders

worth \$350m spread over the next few years.

They consist of \$250m of public exchanges from the Netherlands and India, together with an order for a specialised exchange for its Freephone service from British Telecom and \$100m of transmission orders from Belgium, Italy, ST, and AT&T in the US.

Mr Eckel said he expected the joint venture would have sales of \$1 900m (\$445m) this year, about 30 per cent up on last year.

This year, sales would increase 30 per cent and the joint venture would move into profit for the first time.

AT&T-Philips is concentrating increasingly on specialised exchanges - such as that for BT's Freephone service - having failed on a broad front to break into the European market for exchanges for the basic telephone network.

It is believed to be close to announcing its first order for such specialised exchanges from Spain.

Mr Eckel disclosed that the joint venture would have remained loss-making next year if it had gained control of CGCT, reflecting the high cost of entry to a new market in telecommunications.

Puma posts DM14m loss in first half

By Our Financial Staff

PUMA, the West German sportswear manufacturer, said it posted a 1987 first-half group loss of about DM14m (\$7.7m), of which the largest portion was in the US.

Mr Armin Daxler, managing board chairman, told the annual shareholders' meeting that parent company turnover was expected to fall to DM655m over the whole year, from DM683.4m in 1986.

In the whole of 1986 Puma posted a group consolidated loss of DM14.65m. Mr Daxler said Puma hoped to improve performance this year in the US - its most important export market - where heavy losses were mainly responsible for the 1986 deficit.

Puma expected to post a group loss in the second half of this year but the shortfall would be lower than in the first six months. The same applied to expected parent company losses, Mr Daxler added.

He said Puma had taken measures to improve future performance, including changing the product range, closing some unprofitable factories in West Germany and France and introducing general cost-cutting.

Newcastle, Adidas, Puma's West German rival, has appointed Mr Rene Jaeggli as its managing board chairman, succeeding the late Mr Horst Daxler.

Mr Jaeggli, 38, had been responsible for marketing and distribution since July 1986 and had become a member of the managing board in February 1987.

Mr Daxler, whose family founded the company after the Second World War, died in April.

Lower forecast for Norsk Data

NORSK DATA, the Norwegian computer company, said weak sales outside Europe had forced it to lower its 1987 pre-tax profit forecast by Nkr100m and its expected 1987 sales figure by about Nkr150m, Reuters reports from Oslo.

Norsk Data said in August it expected to show a pre-tax profit of between Nkr350m and Nkr500m (\$60.9m) this year.

The sales figure was lowered after it became clear sales in North America and India would not match earlier predictions.

It was doubtful that this discrepancy could be compensated by a corresponding increase in European business, the company said its sales in Europe remained strong, however, and were expected to grow by 25 to 35 per cent in 1987.

Norsk Data showed a Nkr177.8m pre-tax profit for the first six months of 1987, up 6 per cent from Nkr168m a year ago. Its 1986 pre-tax profit before year-end allocations was Nkr475m, against Nkr364m.

Fermenta SKr83m in red for first eight months

BY SARA WEISS IN STOCKHOLM

FERMENTA, Sweden's scandal-ridden antibiotics and chemicals group, reported losses after financial items of SKr83m (\$13m) for the first eight months, on sales of SKr2.2bn, and forecast full-year losses of up to SKr140m after financial items.

Mr Bertil Holmberg, managing director since February, said no meaningful comparison could be made with last year's figures "due to the errors that were embodied in last year's interim report for January to August" - a terse reference to the imaginative accounts presented by previous management.

Mr Refaat El-Sayed, the former chief executive of Fermenta, is under investigation for fraud and book-keeping irregularities.

Fermenta's eight-month loss includes a deficit of SKr83m in the first four months alone. The relative improvement in the

second four-month period is largely due to the plant protection unit.

However, Fermenta said group sales were hit by the lower dollar and a combination of weak demand and lower prices.

Last Wednesday, Fermenta agreed to sell its loss-making fermentation subsidiaries - apart from the one in Sweden - and joint ventures to Burns, Philp & Australia for SKr600m.

The transaction is calculated to bring SKr180m in capital gains. The group's plant protection business - part of SDS Biotech - experienced strong demand, but earnings for the animal health products in SDS were affected by the cost of merging with TechAmerica, the US animal health company.

Fermenta was saved from the brink of financial collapse earlier this year and raised SKr390m from institutional investors and shareholders.

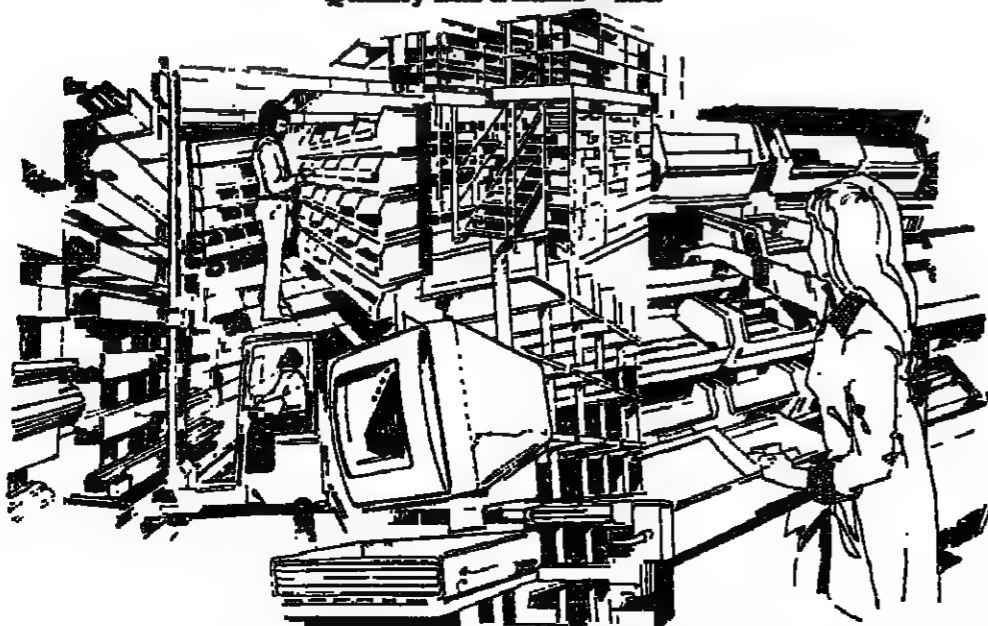
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October 1987

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October, 1987

Stephen Fidler reviews fixed-rate securities

TURMOIL in the world's stock markets spread into international bond markets yesterday, causing price declines in every fixed-income market.

His statement, seen as threatening the value of the dollar and consequently the willingness of foreign investors to continue buying US Treasury pa-

on Friday. Yields on mortgage and municipal bonds fell for the first time below those on federal bonds yesterday.

The Japanese government

seen as generously priced with a 10 1/4 per cent coupon and 101 1/4 pricing, giving a roughly 90 basis point spread over US Treasuries although the market volatility made this a difficult figure accurately to judge. It was bid at the fees.

Electricite de France made a Y15bn seven-year floating-rate note issue led by IBJ International, with a 6.25 basis point margin over Libor. The issue was quite well received, bid at its fees, helped by currency considerations and general worries about rising interest rates.

The issue is in fact the first floating-rate note in yen for a sovereign borrower - the issue

is guaranteed by the Republic of France - since 1985. Few sovereign issues have been seen in any currencies since the debacle in the floating-rate note markets earlier this year.

Other borrowers are contemplating issuers on similar lines, the lead manager said, remarking that the issue was broadly placed geographically.

In Switzerland, City of Copenhagen made a two-tranche issue totalling SF780m, led by Kredietbank (Suisse). The first of the two equal par-priced parts was for eight years, with a coupon of 5½ per cent, and the second for 10 years, with a 5½ per cent coupon.

Mitsui Finance International launched two deals repackaging existing bonds. An A\$129m issue in the name of Wings I, packaging \$81m of fixed-rate securities, had an 8½-year maturity, a price of 100.96 and a coupon of 8.6875 per cent. It is payable in US dollars, and redeemable in New Zealand and Australian dollars, pounds and D-Marks.

U-MARKET
A \$37.5m five-year issue by Wings 2 was priced at 100.05 with a 25 basis point spread over Libor.

Fuji International Finance led a \$35m five-year repackaging deal for Sprint 2, priced at 100.1. It was backed by Japanese equity warrant bonds.

about a point. Average yields on outstanding public bonds rose 12 basis point to 6.93 per cent.

Last week, as a result of the government announcement of plans to reimpose withholding

tax, yields on Eurobonds issued by supranational borrowers fell below the equivalent federal government issues. Yesterday, the spread between the two widened still further with supranationals yielding some 25 to 30 basis points less, compared with 15 to 18 basis points

The new issues sector of the Eurobond market was, as could be expected, quiet. But as the

dollar market's tone improved during the afternoon, Barclays Bank made a \$200m offering with the two-year maturity which has been virtually the only period to be attempted in the market's recent difficult times. The Barclays issue, led by Barclays de Zoete Wedd, was

United are the latest international bonds for which there is an adequate secondary market.

S DOLLARS										Change in										Closing prices on Oct. 25									
STRAIGHTS	Interest	Bid	Offer	Week	Yield	YON STRAIGHTS	Interest	Bid	Offer	Week	Yield	STRAIGHTS	Interest	Bid	Offer	Week	Yield												
Abney March 74 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Abney March 74 92	100	98 1/2	99 1/2	-1	10.10												
Ad Wilson Apr 77 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Ad Wilson Apr 77 92	100	98 1/2	99 1/2	-1	10.10												
American Bonds 94 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	American Bonds 94 92	100	98 1/2	99 1/2	-1	10.10												
Al Chicago 74 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Al Chicago 74 92	100	98 1/2	99 1/2	-1	10.10												
AFC 74 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	AFC 74 92	100	98 1/2	99 1/2	-1	10.10												
AFC 74 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	AFC 74 92	100	98 1/2	99 1/2	-1	10.10												
Belmont 74 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Belmont 74 92	100	98 1/2	99 1/2	-1	10.10												
British Telecom 74 94	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	British Telecom 74 94	100	98 1/2	99 1/2	-1	10.10												
British Telecom 74 94	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	British Telecom 74 94	100	98 1/2	99 1/2	-1	10.10												
Caribbean Sav 20 94	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Caribbean Sav 20 94	100	98 1/2	99 1/2	-1	10.10												
Canada 100 94	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Canada 100 94	100	98 1/2	99 1/2	-1	10.10												
Canada Feb 104 94	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Canada Feb 104 94	100	98 1/2	99 1/2	-1	10.10												
C.R. 74 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	C.R. 74 92	100	98 1/2	99 1/2	-1	10.10												
C.R. 74 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	C.R. 74 92	100	98 1/2	99 1/2	-1	10.10												
Credit Cal 84 94	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Credit Cal 84 94	100	98 1/2	99 1/2	-1	10.10												
Credit Cal 84 94	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Credit Cal 84 94	100	98 1/2	99 1/2	-1	10.10												
Credit National 74 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Credit National 74 92	100	98 1/2	99 1/2	-1	10.10												
Credit National 74 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Credit National 74 92	100	98 1/2	99 1/2	-1	10.10												
Deutsche 74 92	100	98 1/2	99 1/2	-1	10.10	Baldwin 64 94	20	97 1/2	98 1/2	-1	10.10	Deutsche 74 92	100	98 1/2	99 1/2	-1	10.10												
E.C.C. 74 92	100	98 1/2	99 1/2	-1																									

By Karen Fogell in Oslo

ONKLA BORREGAARD, the Norwegian Industrial and Investment group, posted eight-month profits of Nkr287m (\$43.5m) compared with Nkr232m in the same period of 1988. Earnings per share before tax reached Nkr51 compared with Nkr41.

The company said the positive development of results from the first four months of this year was further strengthened in the second four-month period. Industrial activities, within which the Denosa-Lilleborg and Borregaard Industries are showing the greatest progress, have improved by 73 per cent over 1986, with profits reaching Nkr206m.

Group profits from investment activities, however, slipped to NKr101m from NKr167m, while the securities portfolio has increased by NKr25m since the beginning of 1987. Property holdings, in which NKr50m has been realized, have also increased. Financial items improved by more than NKr30m, due mainly to "advantageous currency

Orliko Berregaard expects "clear improvements" for the year over 1986 in the group's industrial activities.

By Wong Sulong in Kuala

PROMET, the Malaysia-Singapore oil rig and construction group, reported an operating profit of 11.1m ringgit (US\$4.4m) for 1986 compared with a loss of 23m ringgit. But it continued to make heavy write-offs for oil exploration ventures and property projects, so profit after tax and extraordinary items was 1.4m ringgit compared with a loss of 1.1m ringgit in 1985.

The group said it was back "on an even keel" and, with the recent agreement on the restructuring of its debts, expects 1988 to be a better year.

Under the restructuring deal reached with 13 of the 15 creditor banks, the group's 284m ringgit of secured loans will be divided into two tranches.

The first tranche of 156m ringgit will be spread over six years, and carry an interest rate of one percentage point above Singapore interbank offered rate. The second will be interest-free for six years, but creditor banks will have the option to convert the loans to shares at par value from the family of Datuk Brian Chang. Promet's chief executive and largest shareholder.



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UK COMPANY NEWS

Elders builds Greene King stake

BY LISA WOOD

ELDERS IXL, the Australian-based brewing, financial services and pastoral group which owns Courage, the large British brewer, has a stake of just under 5 per cent in Greene King, the East Anglian brewer, it was disclosed yesterday.

Greene King claimed that Elders had taken the stake to strengthen its hand in attempting to persuade Greene King to sell Elders' Fosters lager. This brand is sold in the UK in Courage public houses as well as those of Watney Mann & Truman.

However, City analysts would not rule out the possibility that the share build-up was the prelude to a full bid by Elders for

Greene King, brewer of Abbot Ale and distributor of Harp Lager.

Greene King, which has 770 public houses in East Anglia, an area of rapid economic growth, is some 25 per cent family-owned with a further 15 per cent in the hands of three "friendly" holders. In the year to May 3 it made pre-tax profits of £12.51m, an improvement of 11 per cent on the figures of the previous year.

Greene King said yesterday that it had recently discovered that Courlim Properties, a subsidiary of Courage, had built up the holding through a number of nominee accounts.

When the shareholding came to light Greene King was prop-

sitioned by Elders that it should enter into trading agreements to distribute Elders' products, particularly Fosters Lager.

Greene King said: "The representatives of Elders said they had acquired the shareholding to strengthen their position in discussions on such a trading relationship."

Greene King, which has a 25 per cent stake in Harp Lager, rejected the proposal. Mr Simon Redman, managing director, said that his company had a distribution agreement with Harp until 1994. In addition, Fosters Lager was sold in East Anglia by Watney, one of Greene King's major competitors in the region.

Mr Redman described Elders

as "very unsuitable" in its method of approach. He said he knew nothing of Elders' further intentions towards Greene King.

"It is most unlikely," he said, "that it could make a direct bid without being referred to the Monopolies and Mergers Commission."

Two years ago, in its investigation of the then Scottish & Newcastle bid for Matthew Brown, the Blackburn-based brewer, the MMC said there could be a strong case on public interest grounds against any of the five major tied estate brewers acquiring a regional brewer.

Elders IXL said yesterday: "We have no comment to make yet."

Aitken Hume rises 45% to £3.9m

BOOSTED by a turnaround in its UK funds management, Aitken Hume International, financial services group, reported interim pre-tax profits up by 45 per cent from £2.69m to £3.91m.

And Mr Jonathan Aitken, chairman, said that though the US mutual fund market remained difficult, the progress being made in UK funds management gave him confidence for a good second half, in the absence of exceptionally difficult market conditions.

Gross revenue for the six months to September 1987 was up at £19.2m (£14.4m). Operating profits before taxation were £2.69m (£2.1m), with £2.32m (£2.1m) for National Securities and Research in the UK.

Earnings per share came out at 6.75p (5.37p) and an interim dividend is being paid this time of 1.5p.

The US mutual fund industry had a difficult six months. Funds under management at the end of the period were \$3.2bn against \$3.25bn six months earlier.

The company also announced that it had reached a settlement of actions brought against it by Mr Michael Scary, former finance director, for breach of contract and defamation arising from his resignation at the time of the bid for Aitken by Transworld Group.

comment

Aitken Hume shares yesterday were unmoved by what was a strong first-half performance, dropping 22p to 185p mainly before the announcement of results. Uncertainty in markets on both sides of the Atlantic casts a question mark over the company's ability to maintain strong performance.

The US mutual fund market will continue to test the final results, and the £2m pre-tax profits from US funds management in the first half would be very hard to maintain even if equity markets stand still, since much of the profit came from hedge funds - holding its own shares between liquidation orders and new sales. Yesterday's plunge in the market appears to have scotched an acquisition in Germany, and the over-reliance on US profits, which have the UK tax position, has caused it to still largely untested. Full-year profits of £7.9m would put the shares on a prospective P/E of about 16, a price that factors in questions about the future as well as recent management upheavals at the company.

Acquisitions help raise Wolseley profits to £75m

BY MONA THOMPSON

Wolseley, the central heating and plumbing distribution group, yesterday reported pre-tax profits up almost 50 per cent at £75.23m for the year to July 31, 1987, compared with £50.25m last year.

Mr Jeremy Lancaster, chairman, said the group benefited from full year contributions from Carolina Builders, the US timber wholesaler bought in January 1986, and the former Grovewood companies purchased in March that year.

"Forty per cent of our operating profits has come from acquisitions," said Mr Lancaster. "Additionally, we benefited from strong organic growth from the further development of existing businesses."

Wolseley now has 305 branches in the UK. Plumbers, with 196 outlets and many more planned, increased sales by 12.8 per cent and trading profit by 33.7 per cent. Harris and Ray, the "heavy-duty builders' centres" which sell sand, cement, bricks and blocks from 42 branches in the south east of England, is well placed for future expansion, said Mr Lancaster.

The group is also keen to expand Plant & Tools, its heavy

plant hire company, and has acquired a large site in Ashford, Kent, which should benefit from Channel Tunnel activity.

The electrical division contributed almost 10 per cent to group trading profits, and launched a number of new products in its Klix connector range for fixing wall and ceiling lights. The engineering and plastics division contributed nearly 8 per cent to profits and looks set for further expansion.

In the US, Ferguson Enterprises, with a chain of 122 outlets on the east coast distributing plumbing materials, increased its dollar sales by 15 per cent with dollar trading profit up by 8 per cent. Carolina Builders, which disappointed at the interim stage due to an over-supply of homes, improved in the second half.

Group trading profits were £75.23m (£50.25m) on turnover of £978.98m (£739.06m). The UK distribution profits totalled £33.01m, compared with £23.18m last year, and US distribution profits were £29.69m against £19.68m.

The interest charge was £1.62m (£2.37m). After deducting tax, both overseas and corporation tax, of £28.12m (£18.65m),

and minority interests of £552,000 (£335,000), earnings per share were 49.2p, compared with 41.39p.

A final dividend of 10p (8p) makes 14p for the year, against 11.5p. A scrip issue on a one-for-one basis is also proposed.

comment

Yesterday's figures came as no surprise as the company forecast £75m at the time of the Families' acquisition in September. The UK side of the business made most of the running, with a very strong market. In the US, Ferguson suffered from bad debts as suppliers in Denver and Dallas went bankrupt, and sterling strengthening against the dollar knocked some £750,000 off profits. However, Ferguson, one of the big plumbing merchants in the US, will both contribute about £2.5m profits this year and enable Wolseley to claim the title of largest plumbing supplies company in the world. The shares closed 35p down yesterday at 635p. Assuming pre-tax profits for this year of about £98m, that puts them on a prospective P/E of just under 11, good value.

Barry Wehmiller doubled at £3.67m

Barry Wehmiller International, the packaging equipment maker which came to the market in June through a heavily oversubscribed offer for sale, yesterday turned in 1986-87 pre-tax profits more than doubled at £3.67m.

This was slightly better than the £3.5m forecast in the prospectus and compares with £1.7m in the previous year. Turnover for the period ended July 31 rose from £21.83m to £27.4m.

Last year's pre-tax profit was struck after a non-recurring management charge of £473,000.

Tax took £425,000 (nil) and stated earnings per share were 13.7p (8.4p) based on the actual tax charge and 11.6p (5.5p) after a notional 35 per cent charge.

As forecast, the final dividend in 2p - had the shares been listed during the whole financial year, the board would have expected to recommend a total of 4p.

During the year, the rationalisation of earlier acquisitions and the restructuring of the group into three autonomous trading divisions was completed and all three improved performance in the period.

Overall, the current year had started well and the board was confident of further growth through pursuing its strategy of organic development and a focused acquisition programme.

The vision systems division was well placed to participate in the anticipated growth in the use of vision systems in the packaging industry.

The closure systems division would continue to expand its markets and widen applications of its products, while the bottling machinery side would also seek to penetrate new markets for its product range.

The board said the pursuit of organic development would continue to be an integral part of growth strategy. The company's status as a listed company was expected to enhance its ability to make further acquisitions.

Since the end of its financial year, the group had completed the acquisition of UD Engineering, a maker of dairy packaging machinery. The board said its products and international markets would significantly strengthen the bottling machinery division's existing dairy activity overseas.

Trafalgar House \$20m US expansion

BY DINA MEDLAND

Trafalgar House, the shipping, property and building combine, has bought Capital Homes, a builder of single-family homes in the Washington, DC area in the US, for \$20m (£12m) in cash, the company announced yesterday.

Capital Homes will become a subsidiary of Trafalgar House Residential, the US affiliate based in New Jersey set up by Trafalgar House last year.

Capital Homes made pre-tax profits of \$3.7m on turnover of \$58m, from the sale of 421 homes in the year-ended February 28. In the current year it expects to sell 800 homes initially aimed at the first-time buyer, its property has moved into the \$350,000-\$400,000 range occupied by Trafalgar's existing US

operation. The company is also active as a land developer both for its own use and for sale to other builders.

"Capital Homes fits perfectly with our expansion plans in the north-eastern seaboard of the US," said Mr Eric Parker, chief executive. The group intends initially to concentrate its house-building efforts on the north-eastern seaboard of the US, and to emulate the regionalised structure used by its successful Ideal Homes business in the UK.

Trafalgar House is now looking for a third business on the east coast of the US, probably between New York and Boston, to complete the current phase of acquisition within the

next 12 months, the company said. No companies had been specifically targeted, said Mr Eric Parker and expansion could be through a start-up business like the New Jersey office. Trafalgar House aims to be building 1,000-1,200 homes a year in the US.

Trafalgar House reported a 25 per cent fall in interim pre-tax profits from \$72.7m to \$54.1m on turnover up 8 per cent to \$1.03bn (\$978m) in the six months to March 31, but said that prospects were improving in all its operations.

There was an increased contribution from property, partly as a result of the acquisition of Broseley, a housebuilder.

The building is being sold to a joint venture between Trafalgar House and ABC Properties, a subsidiary of Consolidated Goldfields, which intends to refurbish the offices when Inchcape moves to new premises in King Street, St James.

Inchcape, the international services and marketing group, is to dispose of its City of London headquarters, a grand quasi-colonial building at 40 St Mary Axe. It will receive £22m in cash, substantially above the building's book value of \$8.8m.

Inchcape gets £22m for City HQ

Australians sells stake in New Cavendish

By City News

Australia's Unity Corporation yesterday continued the simplification of its UK activities by selling its majority stake in New Cavendish Estates, the property investment group, for £21m to an associate of Noro, the private Dutch investment house.

Collins Services, owned by two Unity subsidiaries, sold its 52.7 per cent stake for 175p compared with the 100p it paid in July 1986.

Noro-Buckfield, based in the Netherlands Antilles, will make a general offer to all shareholders at 175p, which compares with yesterday's market price of 228p, 5p below the price at which the shares were suspended last Thursday. It will place any shares accepted under the offer.

Mr John Everitt will remain as managing director of New Cavendish, which reported pre-tax profits of £255,420 in the year to June 30.

The disposal leaves Industrial Finance and Investment Corporation, the financial services group, as Unity's only quoted UK vehicle. In Unity's ATS Resources sold its majority stake in Unitycorp Trust, the former Wemyss Investment Trust.

Pearson share stake raised to 9.8%

MR MICHEL DAVID-WEILL, senior partner of Lazard Freres, the investment bank, has bought a further 200,000 shares in Pearson, the information, banking and industrial group, lifting his holding to 9.8 per cent. Mr David-Weill is also a non-executive director of Pearson, which owns the Financial Times.

His move follows the acquisition of a 14.15 per cent stake in the company by Mr Rupert Murdoch's News International group, prompting renewed speculation that Pearson could face a takeover bid.

Mr David-Weill built up a 9.8 per cent stake in Pearson over a number of months when bid speculation first began to swirl around the group. However, the recent issuing of shares by Pearson had slightly diluted his holding in percentage terms.

Kalamazoo sale

Kalamazoo, Birmingham-based business systems company, has sold its mutual systems business in Northern Ireland and its Irish printing subsidiary David Millard to the Alusset printing group. In return, Kalamazoo has obtained board representation and a 22 per cent holding in the enlarged Alusset.

Scanro's sharp setback but Wickens confident

BY RICHARD TOMKINS

Scanro, the USM-quoted wind-surf board maker which recently yielded control to Mr David Wickens, chairman of British Car Auctions, yesterday said it expected to make its first acquisition before the year end.

Under the new management the group's avowed strategy is to acquire companies with a strong asset base and a potential for substantial income flows. Mr Wickens, who has taken over as chairman, said he was confident that the group would develop into a significant and successful organisation.

The company also reported a sharp downturn in profits for the six months to June - the month before Mr Wickens' intervention - and passed the interim dividend.

Turnover rose from £2.2m to £2.8m but trading profit was

down from £234,000 to £282,000. After interest payable and a £123,000 write-off of goodwill, pre-tax profits were down from £275,000 to £280,000.

Earnings per share fell from 4.51p to 3p and there was an extraordinary debit of £283,000 (debit £423,000).

Mr Wickens said trading was below expectations and the second half was not expected to show a marked improvement, but the board did not expect to make any further extraordinary provisions.

Scanro came to the USM in August 1984. At first it made good progress but dumping in its key markets by bankrupt European wind-surf board manufacturers helped send profits reeling from £50,000 to £276,000 in the year to last December.

Christy Hunt at £0.26m

Christy Hunt, manufacturer of machines and machine systems and enlarged by a number of acquisitions over the past 12 months, swung from losses of £13,000 to profits of £255,000 pre-tax for the year to end-June, 1987.

The figures were in line with the forecast given last month in connection with the agreed takeover of Deritend Stamping. As promised shareholders will receive a dividend of 0.55p, their first since 1978.

Turnover for the past year was little changed at £7.1m (£7.2m). Earnings per 25p share emerged at 5p (losses 0.6p).

FIH rises by £1m to over £5m

Ferguson Industrial Holdings, a specialised group of companies concentrating on printing, packaging, plastics and publishing, pushed up pre-tax profits by just over £1m to £5.06m in the half year ended August 31.

Turnover in the period rose from £45.28m to £54.25m and the trading profit was up 22m to £5.94m. The share of profit of related companies was £58,000 (£18,000), investment income £24,000 (£10,000) and profit on sale of investments £107,000.

William Sinclair grows 64%

MR TOM SINCLAIR, chairman of William Sinclair & Co., said that the concentration of the group's activities in the garden leisure and horticultural markets had proved most successful.

The USM-quoted plant breeder and seed specialist reported pre-tax profits up 64 per cent from £1.15m to £1.89m for the

year to the end of June 1987. The figure was boosted by a turnaround in interest charges of £251,000.

Turnover fell from £24.19m to £15.72m resulting from the sale of its agricultural seeds division to ICI in June last year. The chairman said that the equivalent turnover figure was

against £2.44m, plastics £520,000 (£354,000) and publishing brought in £182,000 (nil). Other activities amounted to £170,000 (£118,000) and there was nothing from the discontinued construction activities (£136,000 loss).

Further acquisitions are promised in Ferguson's core activities, increased capital expenditure in its most profitable companies and growth in the US and Europe.

Earnings per share came out at 20.4p (11.5p) and the directors are recommending an increased final dividend of 5p (3.75p adjusted) for a total for the year of 8.5p (5.125p). A scrip issue of one-for-five is again being proposed.

Earnings per share came out at 20.4p (11.5p) and the directors are recommending an increased final dividend of 5p (3.75p adjusted) for a total for the year of 8.5p (5.125p). A scrip issue of one-for-five is again being proposed.

The interim dividend is increased from 1.45p to 1.65p and a total not less than 4.15p (3.75p) is forecast.

Gross income for the half year was lower at £12.75m (£13.42m), but the board said this should not be taken as indication for the year as a whole.

After tax of £2.38m (£2.77m) available net revenue was down from £28.3m to £25.33m, giving earnings per share 0.5p lower at 1.50p.

Total assets jumped from £703.4m at end March to £814.4m at September 30.

Edinburgh Inv assets rise 14.2%

Edinburgh Investment Trust, Scotland's largest investment trust, managed by Dunedin Fund Managers, raised net asset value by 14.2 per cent to 261.6p in the six months to September 30, 1987. The increase from the end of September, 1986 was 34.6 per cent.

The interim dividend is increased from 1.45p to 1.65p and a total not less than 4.15p (3.75p) is forecast.

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Famous Grouse up £1.7m as overall sales expand

Highland Distilleries share held up quite well - off 3p to 82p - in yesterday's disastrous market, and confidence in the company appears well-deserved in view of the strong results announced. Highland Distilleries is a conservative company, and its strategy of positioning its whisky brands, particularly Famous Grouse, as premium products, taken together with its

The Famous Grouse brand was being strongly supported by advertising and related activities to ensure long-term development of the brand.

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KINGSGRANGE has taken an initial 54 per cent stake in Parkrose, payable in cash and shares. The remaining 46 per cent is held by investors under the Business Start Up Scheme of 1983 and Business Expansion Scheme in 1985. When qualification period for 1983 investors expires at the end of March, 1985, Kingsgrange intends to make an offer for the outstanding shares for a maximum 2554,022. Total maximum consideration is £2.96m for all of Park Rose.

GREAT PORTLAND ESTATES is to acquire Centurion House, 125 Albany Street, Bedford Square, Mount St. Vincent Developments for a figure believed to be close to £2.5m.

Christies International. Charles Allsopp, a director, sold 30,000 ordinary at 710p.

Norton Opaz. The following directors acquired 5% per cent convertible cumulative preference shares 2002 at £1 through a rights issue: R E Hanwell 41.668 and exercised options on 18,000 ordinary at 91.75p; P E Cushing

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COMMODITIES AND AGRICULTURE

Gold soars as share prices tumble

By David Blackwell

LONDON GOLD prices closed in London yesterday at their highest levels for four-and-a-half years in the face of falling equity and bond markets, the declining dollar, and the increasing tension in the Gulf.

Bullion closed up \$16.50 from last Thursday's level at \$481.50 an ounce, the highest since the closing price on February 22, 1982. The price touched a peak of \$490 an ounce in the morning, but fell back in late afternoon trading when US and London stock markets recovered some of their huge losses and Comex gold futures trimmed gains.

The London afternoon gold fix, which usually takes five to 10 minutes, lasted one hour 50 minutes before the price was fixed at \$481 an ounce. The morning fix was set at \$479.50.

Both silver and platinum prices moved in line with the frenzied activity in the gold market. Silver bullion closed at \$22.50 cents an ounce, against 786 cents on Thursday, and platinum rose by \$10.50 an ounce to \$694 an ounce. The markets were closed on Friday following the hurricane which swept southern Britain.

One London trader traced yesterday's sharp increase in gold prices back to the release last Wednesday of the US trade deficit figures, which disappointed Wall Street. He believed the gold price could break through the \$500 an ounce barrier by the end of the month—if not sooner.

Ms Rhona O'Connell, of Shearson Lehman Brothers, said the market could see \$500 an ounce by the end of this week if stock markets continued to fall. But she added that if the gold market had been really explosive it would have reached that level yesterday.

In the face of steady stock markets, the gold price would maintain a level of about \$475 an ounce, she said.

US attack on rig shakes up crude oil market

By Lucy Kellaway

BRENT OIL prices leapt by as much as 65 cents to \$19.65 a barrel yesterday morning on news that the US had retaliated after Friday's attack by Iran on a refuelled Kuwaiti oil tanker in the Gulf. Later in the day prices slipped back to close only 5 cents higher at \$19.60 when the US confirmed that it had hit an Iranian oil tanker and considered the matter closed.

The upward movement, which yesterday pushed the price of West Texas Intermediate as high as \$20.55 a barrel, follows several weeks of calm during which the oil market had seemed impervious to events in the Middle East.

Ms Rosemary McFadden, Nymex president, who flew back last week from Singapore, said Nymex is still considering the sort of crude oil contract it wants to list and Nymex officials are working closely with the exchange. Nymex could trade Nymex's successful West Texas Intermediate crude oil futures when the floor in New York is closed.

However, the exchange is also understood to be looking at developing its own oil contract, based possibly on Dubai crude.

Ms McFadden said Nymex's talks with London's International Petroleum Exchange, which is also looking at listing its WTI contract, are proceeding well, and that the exchange could be ready with an announcement in the next couple of weeks.

Nymex, facing a demand from the oil community for 24-hour trading in crude futures, says it is also looking at listing its WTI contract on the Post Market Trade computer system being developed jointly by the Chicago Mercantile Exchange and Reuters. However, the exchange has not yet seen a full demonstration of the system and is not close to a decision. It is also looking at extending its own floor hours.

Ms McFadden believes the exchange must settle for one contract to move towards 24-hour trading, but has not yet decided between linkages or screen-based trading. The timing of a decision is critical, she stresses.

Furthermore, any decision could be complicated by current merger talks between Nymex and New York's Commodity Exchange, Comex. Management consulting firm, Arthur D. Little is expected to deliver a report on the proposed merger this week.

Nymex studies Singapore link

By Deborah Hargreaves in Chicago

THE NEW YORK Mercantile Exchange is involved in discussions with Singapore's Simex on a possible link between the two crude oil futures markets.

Ms Rosemary McFadden, Nymex president, who flew back last week from Singapore, said Simex is still considering the sort of crude oil contract it wants to list and Nymex officials are working closely with the exchange. Nymex could trade Nymex's successful West Texas Intermediate crude oil futures when the floor in New York is closed.

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Rubber stock sales estimate raised

By Wong Sulong in Kuala Lumpur

THE BUFFER stock manager of the International Natural Rubber Organisation is believed to have sold off as much as 10 per cent of his 370,000-tonne stockpile since the price broke through the "may sell" level early last month, according to delegates attending an IRO council session here yesterday.

The session was the last under the current International Rubber Agreement.

Traders expressed surprise at the size of the disposal as they had earlier estimated the sales at between 20,000 and 25,000 tonnes.

The BSM, Mr Aldo Hoffmeister, said the organisation's rules prevented him from revealing the amount of his disposal until 60 days later. He said he had told the IRO council that his sales were "substantial" and added he was surprised by the firmness of the market.

The IRO average indicator price is currently around 237 Malaysian/Singapore cents a kg, five cents above the "may sell" level and five cents below the "must sell" level.

Mr Hoffmeister acknowledged that some traders, particularly in Tokyo were wary of the condition of the stockpile rubber, but said the quality was acceptable. He had offered discounts for rubber to take into account of its present condition.

The fact that his activity at the upper end of the price range had been conducted successfully augured well for the agreement as it showed it was "not merely a one way street," the BSM added.

The first agreement is due to expire on Thursday, after seven years in operation, and the IRO is not expected to come into force for another 12 months.

Representatives of the 32 member countries will review the market situation and finalise the arrangements for the IRO headquarters during their three-day meeting.

The BSM has been authorised to operate the stockpile during the interim period, with the provision that he should not disrupt the market.

Malaysia, the largest producer has urged IRO members not to be tardy and sign IRO II before the end of this year so that it could come into force before the end of 1988.

So far only Malaysia has signed and ratified the pact. Indonesia and the US have also signed.

Scottish company to step up salmon production

By James Buxton, Scottish Correspondent

MARINE HARVEST, the Unilever subsidiary which farms salmon on the West Coast of Scotland, is investing \$20m in a programme which aimed at raising its output from 4,000 tonnes this year to over 10,000 tonnes by 1990.

The company, which up to 1986 had invested \$15m, claims to be the largest farmer of Atlantic salmon in the world.

It is a leading player in the burgeoning Scottish salmon industry, the output of which has risen from virtually nothing at the beginning of the decade to an expected 15,000 tonnes this year, worth about \$80m at the farm gate.

Scottish output, which currently comes from about 200 farms, is projected to reach 45,000 tonnes by 1991.

Marine Harvest has commissioned a \$30,000 sq ft salmon gutting and packing plant at Port William to handle fish from the company's 18 sea water salmon farms, and has spent \$1.5m in equipping it. The plant's workforce of about 30 people is expected to rise to 100 by 1989 as output increases. It could later be used to make salmon products such as steaks.

The company is shortly to open a fourth salmon hatchery and has obtained planning permission for two more seawater farms, while consent is being sought for a further two.

Marine Harvest sells 45 per cent of its output in the UK. The US takes 25 per cent, France 22 per cent and the rest of Europe 8 per cent.

Stabilisers—rehashing an old idea

THE EC Commission's latest proposals for limiting farm expenditure look remarkably like the standard quantity system which used to govern British farming before EC entry. The name is different, however, it is now called a "budget stabiliser" system.



By John Cherrington

In the case of cereals it would work like this. A limit would be set on the quantity of cereals for which the price would be guaranteed. Should that be exceeded, say by 10 per cent, the overall guarantee would be reduced by the same percentage and the whole cereals sector would have the intervention price reduced to the same extent.

Because of the usual lateness of the European harvest this calculation would be delayed until some time in October and intervention buying would not start until November. Should there be a price reduction as the consequence of this calculation it would be reflected in the prices for all grain and should in theory discourage farmers from increasing output.

The old UK scheme was much more positive than this. The guarantee for grain was in the form of a deficiency payment to make up the difference between the market price for the season and the guarantee. It was paid as an acreage premium on grain grown and sold in that year up to the limit set by the Government. If too much grain was grown farmers suffered a proportionate fall in gross income as the payment was spread over a larger tonnage. If the market price was very low the Government did not worry as it was all part of the cheap food policy.

Cereal farmers certainly did not like the system but it was popular among the livestock farming element, which depended on cheap feeding stuffs for its own survival. There was, and still is to some extent, a certain conflict between arable farmers and those who milked cows or fed livestock for a living. This division assisted the governments of the day in the application of the system.

Ministers, as I remember, used to try and persuade us to take notice of the signals sent out when the price or even the standard quantity was altered. But somehow farmers did not seem to get the message, in spite of quite severe price restraint output increased over the years as farmers became more efficient in reducing their unit costs, generally by increasing their output.

During this period of standard quantities, which lasted from around 1958 until EC entry in 1973, successive governments provided a number of production grants designed to lower improvement costs and actual costs of production. This was all part of the cheap food policy in that a weak market in the UK forced down the price of imports.

Sometimes this policy went a bit too far and exporters were encouraged to fix minimum prices on their exports to this country. The object of this exercise was to save the government paying out too much money in deficiency payments.

Farmers were far from happy during this period and used to protest at the Government's apparent meanness, but overall

output continued to increase. During the early 1960s there was a call from the late Lord Soames, then Minister of Agriculture, for a quota system to be applied to milk. This was turned down by the Milk Marketing Board and the NFU although the smaller farmers were for it as they thought it would relieve them of the need to continue increasing output in order to maintain their incomes. I must say that I took the same view myself at the time.

After the price restraint of the UK cheap food policy farmers took the fullest advantage of the open-ended guarantees of the Common Agricultural Policy and output rose substantially in almost every sector. Nowhere was this more apparent than in the case of milk. This led to the imposition of quotas in 1984 which has contained the expenditure on the milk sector to a large extent. Its main shortcoming was that restrictions that were not strictly enforced overall. In some countries, moreover, quotas were not imposed, while in others they were not respected.

It is probable that the stabilisers, should they be universally applied, would contain

expenditure on the CAP—but they could cause a most dreadful muddle in the markets. Take cereals, for example. A small proportion of the UK crop is taken for intervention. The balance is either sold on the home market or subsidised for export at world prices. But traders would not know until the end of October the level of the intervention price. This is four months into the cereal year, which starts on July 1. The UK compounder or miller would be asked to buy grain until he knew what the price was going to be.

It is true that the deficiency payment under the standard quantity system was also calculated in arrears. But in this case it was a fairly exact calculation and at that time there was no problem finding a market at home as we were still not self-sufficient. We are now in most temperate foods.

Britain's National Farmers' Union has attacked the stabiliser concept as being a recipe for very unstable markets. Of the European countries West Germany in particular has, through Mr Ignaz Kieckhefer, its Agriculture Minister, claimed that there is no need for any restrictions at all. At the same time there are suggestions that the so-called cereal substitutes which include a number of wheat still not self-sufficient, could be subjected to levies and that the proposed oils and fats tax, strenuously opposed by the UK, should be enacted as well.

Any levy on cereal substitutes which include a number of wheat still not self-sufficient, could be a blow to the intensive pig and poultry farmers who have received very little help beyond the CAP system beyond the external tariff.

This side of farming could point the way to a more rational agricultural policy. But because the ruthless application of economic forces which govern pigs and poultry to the rest of farm production, it will be a long time before such measures could be contemplated—let alone imposed.

LONDON MARKETS

ALUMINIUM PRICES rose into a wave of profit-taking in the London Metal Exchange yesterday after the recent rising trend had been maintained in early trading. But although the metal standard grade price ended at \$1,284.50 a tonne, down \$20.50 from Thursday's close (the market was closed on Friday following the overnight storm), dealers said that physical supplies, short positions and technical lightness in the LME remained as "constructive" factors. Dollar weakness was quoted as the main factor in the coffee market, where the January futures position ended the day at \$2.52 (from \$2.50 yesterday) at \$1,245 a tonne. But traders said the market was fairly thin and reported that reasonable enquiry had been reported for Colombian beans following rumours that November export registrations had been opened. Expectations of Brazil opening its export registrations for October this week were reported to be fading, however.

LME prices supplied by Automated Metal Trading.

ALUMINIUM

Grade	Unofficial + or -	High/Low
99.99% Unofficial	+ or -	High/Low
1 month	1284.50	1284.50
3 months	1284.50	1284.50
6 months	1284.50	1284.50
9 months	1284.50	1284.50
12 months	1284.50	1284.50

COPPER

Grade	Unofficial + or -	High/Low
100% Unofficial	+ or -	High/Low
1 month	1315.00	1315.00
3 months	1315.00	1315.00
6 months	1315.00	1315.00
9 months	1315.00	1315.00
12 months	1315.00	1315.00

LEAD

Grade	Unofficial + or -	High/Low
100% Unofficial	+ or -	High/Low
1 month	1180.00	1180.00
3 months	1180.00	1180.00
6 months	1180.00	1180.00
9 months	1180.00	1180.00
12 months	1180.00	1180.00

NICKEL

Grade	Unofficial + or -	High/Low
100% Unofficial	+ or -	High/Low
1 month	1550.00	1550.00
3 months	1550.00	1550.00
6 months	1550.00	1550.00
9 months	1550.00	1550.00
12 months	1550.00	1550.00

ZINC

Grade	Unofficial + or -	High/Low
100% Unofficial	+ or -	High/Low
1 month	1140.00	1140.00
3 months	1140.00	1140.00
6 months	1140.00	1140.00
9 months	1140.00	1140.00
12 months	1140.00	1140.00

TIN

Grade	Unofficial + or -	High/Low
100% Unofficial	+ or -	High/Low
1 month	1400.00	1400.00
3 months	1400.00	1400.00
6 months	1400.00	1400.00
9 months	1400.00	1400.00
12 months	1400.00	1400.00

GOLD

Grade	Unofficial + or -	High/Low
100% Unofficial	+ or -	High/Low
1 month	1140.00	1140.00
3 months	1140.00	1140.00
6 months	1140.00	1140.00
9 months	1140.00	1140.00
12 months	1140.00	1140.00

INDICES

Index	Value
1000 points 1979=100	1000
1000 points 1981=100	1000
1000 points 1983=100	1000
1000 points 1985=100	1000
1000 points 1987=100	1000

MAIN PRICE CHANGES

Commodity	Change
Gold	+0.50
Silver	+0.25
Platinum	+0.10
Palladium	+0.15
Copper	+0.10
Aluminum	+0.05
Lead	+0.05
Zinc	+0.05
Nickel	+0.05
Tin	+0.05
Iron	+0.05
Steel	+0.05
Coal	+0.05
Oil	+0.05
Gas	+0.05
Electricity	+0.05
Water	+0.05
Waste	+0.05
Food	+0.05
Textiles	+0.05
Chemicals	+0.05
Metals	+0.05
Minerals	+0.05
Energy	+0.05
Transport	+0.05
Telecoms	+0.05
Media	+0.05
Real Estate	+0.05
Art Market	+0.05
Antiques	+0.05
Collectibles	+0.05
Commodities	+0.05
Financials	+0.05
Insurance	+0.05
Banking	+0.05
Law	+0.05
Medical	+0.05
Education	+0.05
Government	+0.05
Non-Profit	+0.05
Religion	+0.05
Science	+0.05
Sports	+0.05
Arts	+0.05
Entertainment	+0.05
Health	+0.05
Environment	+0.05
International	+0.05
Local	+0.05
Regional	+0.05
National	+0.05
Global	+0.05
World	+0.05
Universe	+0.05
Everything	+0.05

US MARKETS

Commodity	Value
Gold	1000
Silver	1000
Platinum	1000
Palladium	1000
Copper	1000
Aluminum	1000
Lead	1000
Zinc	1000
Nickel	1000
Tin	1000
Iron	1000
Steel	1000
Coal	1000
Oil	1000
Gas	1000
Electricity	1000
Water	1000
Waste	1000
Food	1000
Textiles	1000
Chemicals	1000
Metals	1000
Minerals	1000
Energy	1000
Transport	1000
Telecoms	1000
Media	1000
Real Estate	1000
Art Market	1000
Antiques	1000
Collectibles	1000
Commodities	1000
Financials	1000
Insurance	1000
Banking	1000
Law	1000
Medical	1000
Education	1000
Government	1000
Non-Profit	1000
Religion	1000
Science	1000
Sports	1000
Arts	1000
Entertainment	1000
Health	1000
Environment	1000
International	1000
Local	1000
Regional	1000
National	1000
Global	1000
World	1000
Universe	1000
Everything	1000

COFFEE

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

CRUDE OIL

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

SOYABEAN MEAL

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

WHEAT

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

POTATOES

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

SUGAR

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

SOYABEAN OIL

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

WHEAT

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

SILVER

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

CRUDE OIL

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

SOYABEAN MEAL

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

WHEAT

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

POTATOES

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

SUGAR

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

SOYABEAN OIL

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

WHEAT

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

POTATOES

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

SUGAR

Grade	Value
100% Unofficial	1000
1 month	1000
3 months	1000
6 months	1000
9 months	1000
12 months	1000

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ES Portfolio Inv. Fd	85.2	91.2

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BASE LENDING RATES

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Publication date November 20 1987
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The Financial Times proposes to publish this survey on the above date.

A number of areas will be covered including:

- * Audit
- * Management Consultancy
- * The importance of medium sized firms
- * Corporate Finance

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Oct	1624/80	- 245	Oct	2082/2080	- 191	Nov	2886/2094	- 17
Dec	1628/25	- 161	Dec	2067/2076	- 211	Dec	2896/2104	- 16
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LONDON SHARE SERVICE

[illegible]

INDUSTRIALS\$Continued[illegible]

104	Polymers Group 50	175	13.2	0	25
105	Polymers Research	200	5.00	30	36
106	Polymers	200	5.00	30	36
141	Metal Cycles	80	104.70	71	71
142	Metal Cycles	80	104.70	71	71
143	Metal Cycles	80	104.70	71	71
144	Metal Cycles	80	104.70	71	71
145	Metal Cycles	80	104.70	71	71
146	Metal Cycles	80	104.70	71	71
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197	Metal Cycles	80	104.70	71	71
198	Metal Cycles	80	104.70	71	71
199	Metal Cycles	80	104.70	71	71
200	Metal Cycles	80	104.70	71	71

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MINES—Continued

Stock	Price	% chg
Alumina Mines Ltd.	46	..
Alumina Mines NL	137	-12
Alveta Mines 20c	15	..
Alveta Ore 40c	44	..
Alveta Mines 25c	58	-2
Alveta Pacific 40c	230	..
Alveta Mines 25c	61	-7
Alveta Ex 50c	88	..
Alveta Mines N.L.	598	..
Alveta Mines 20c	78	..
Alveta Mines 50c	142	..
Alveta Mines 25c	7	..
Alveta Mines 25c	28	..
Alveta Mines 20c	55	-2
Alveta Mines N.L.	162	..
Alveta N.L. 50c	175	-12
Alveta, N.L.	88	..
Alveta 50c	20	..
Alveta Ex 50c	57	+2

PPFAN Aust Mining Zsc	256	
PPFAN1 Zsc	154	-9
PPFragon Resources NL	463	
PPFrag 25c Mining 5c	293	
PPFrag Walked 5c	70	
PPFclart Res NL	74	-4
PPFerman Mining	20	
PPFrag Marquet 60c	55	+2
PPFrag Mining 20c	37	
PPFenson 50c	636	-11
PPFasant East n. NL	3	-1
PPFasant Mining	17	-1
PPFasant 25c	508	
PPFasant 25c	33	-2
PPFasant Pacific	43	+2
PPFasant Res	121	-1
PPFasant 25c	16	-1
PPFasant 25c	382	-1
PPFasant 25c	17	
PPFasant 25c	27	
PPFasant 25c	136	-2
PPFasant 25c	37	-2
PPFasant 25c	27	+10

Gwynn Creek 20c	738	+15
Wylinton Res NL	208	
Ties		
Ayer Hitam SMI	116-cc	-18
Servco	116	-18
Exxon Borstar M50.50	68	
Cashak 12-p	123	-17
Malaysia Ming. 10c	83	
Petaling SMI	145	
Bongor Best SAM	130	
Larung 15c	180	
ronch SAM	180	-18
Miscellaneous		
Anglo-Dominion	74	
Collyer Rest Conn.	553	
Conn. March. 10c	303	
Emex Int. r10p	89	-5
Greenstreet R	352	-23
Hemlo Gold Mines	229	+18
Highwayland Res	821	-2
Ironclad Res	61	-2

Stock	Price	+ or -	Div. Yield
Albermar Corp 10p	285 1/2	-30	3.5
Albermar Int'l 10p	43	2	
Allied Int'l. Brothers	243	2	N.A.
Amecor Corp 10p	64	4	
Armstrong Res. 10p	43	-3	
Armstrong Pot. 'A'	28		
Armstrong Cosme	210	-43	
Armstrong 10p	175	3	N.A.
Armstrong 10p	65	2	
Armstrong 10p	148	-23	

ChemEx Int'l.	85	0	-
Comarc Group Sp	153	0	-
Corcon Steel 10a	108	35	0.4
Crown Eyeglass Sp	105	18	-
Egyptian Expts. L.R.S.	22	1	-
Eno. Warrants	34	1	-
Far East Res. 10a	144	14	-
Gardner (L) Sp	100	6	0.25
Household Group Sp	41	0	-
Leading Leisure Sp	108	13	0.7
Long Tech. Sp	75	12	0.9
Meditrace 10a	94	16	-
Probus Gold 102.02	363	8	-
Publicating Works Sp	46	7	-
Reco Holdings	48	12	1.0
UPL Group 10a	200	7	1.24
Unit Group	125	9	0.4

[illegible]

type or expansion.
dividend after paying scrip and/or prior to previous dividend or forecast.
or reorganization in progress.
variable.
decline; reduced fiscal and/or reduced dividend; cover on earnings updated monthly.
ones for conversion of shares not now eligible only for restricted dividend.
are not allow for shares which may also receive. No P/E ratio usually provided.
value.
France, Fr. French francs. \$6 Yield based on share unchanged until maturity of shares. Figures based on prospectus or other dividend rate paid or payable on part of the total capital, a Redemption yield, 5 Flat yield, 5 Dividend yield and yield on capital gains. In Kenya limited to 5 Rights issue pending. 5 Earnings based on dividend and yield exclude a special payment or relates to previous dividend, P/E ratio

[illegible]

45	-3	Fin. 13% 97/02
725	-25	Irish Currency
115	-1	CPJ Index
517		Carroll Indef.
305		Dublin Gas
		Hall (R. & H.)
		Heron Hedges
IRISH		Irish Ropes
88		Arrow
9		Udderale

62	P&G Unm
50	Plessey
17	Polly Peck
36	Racal Elect
32	RHM
52	Rank Org Ord
52	Reed Intnl
30	STC
50	Sears
50	TI
50	TSB
28	Tesco
32	Tosco EM1
25	Trust Houses
45	T&N
34	Unilever
45	Wickes
32	Wellcome
15	Property
22	Brit Land
200	Land Securities

125	Warc
95	Peachey
98	Alfa
17	Brit Petroleum
58	Britoil
125	Burman Oil
52	Charterhall
45	Premier
32	Prestel
35	Tricentrol
75	Ultramar
22	Willes
45	Cons Gold
55	Lamho
	Rio T Zinc

Section of Options Trade is given
 London Stock Exchange Report Pa

Record Equity fall follows Wall Street-led weakness in international markets

are the joint compilation of the **F**inancial
Institute of Actuaries and the **F**aculty of A

and Allied Colloids fell 34½ to \$34½p. Bucking the trend, speculative counter James Halstead added 3 to 308p.

The market collapse, coming on top of a disappointing CBI/FT distributive trades survey

ES

Financial Times,
actuaries

... little above normal levels, and the presidential retail sales. From many statements, the

Option		CALLS		
		Oct.	Jan.	Apr.
Allied Lyons (-570)	360 390 420	12 3 3	27 15 7	— 29 15
Berk. Airways (-179)	170 180 190	14 7 3	— 24 —	— 34 —

SEAS GOVT. STLE. ISSUES (10),	SEAS GOVT. STLE. ISSUES (10),
DANS (2), AMERICANS (22),	DANS (2), AMERICANS (22),
CANADIANS (7), BANKS (6),	CANADIANS (7), BANKS (6),

ON TRADED OPTIO

PUTS		
Oct.	Jan.	Apr.
4	18	—
27	39	40
55	60	60
2	—	—
8	12	17
13	—	—

Option	
LASMO (*326)	300 330 360
Plemy (*158)	180 200 220

CALLS			PUTS		
Nov.	Feb.	May	Nov.	Feb.	May
33	51	65	6	13	19
29	32	47	26	25	35
17	21	34	39	40	48
4	23	29	9	15	16
6	15	19	29	27	28
2	8	14	35	37	42

(Name) and Properties _____
 Is _____
 Locations _____
 Items _____
 Others _____
 Totals _____

LONDON RECORDS

EQUITIES

Share Price	Amount Paid	Latest Revenue	1987	Stock

9	543	78
3	85	28
0	10	4
21	52	122
10	215	43
75	2,418	481

ENT ISSUES

Cloning Review	4 or 5	Net. Rev.	Times Cited	Gross Profit	P.R. Score
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	AVERAGE GROSS PERCENTAGE OF NET	Mon A	Thu	Year
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4 Opening index 2165.0; 10 am 2164.0; 11 am 2135.7; Noon 2090.4; 1 pm 2079.1; 2 pm 2032.6; 3 pm 2021.7; 3.30 pm 2003.9; 4 pm 2000.2

Trafalgar House	360	28	37	55
(*385)	390	7	-20	37
	420	0 ₂	8	20

2	12	18	Midland Bk	420
0	27	35	(-449)	448
3	85	83		660

190	65 50 8	72 1 52	1 20 1	17 32 1	20 1 33
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P A I L

40mm
26mm
42mm

Ladbrokes	389	22	—	—
(400)	405	—	28	40

Contract N/A. Calls N/A. Pats N/A.
Mex Calls N/A. Pats N/A.

2. Placing and offer for sale price. Third
 (Exercisable at 50p into 1 Ord.) with

Prices at 3.00pm, October 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month	Stock	High	Low	Open	Close	Change	12 Month	Stock	High	Low	Open	Close	Change	12 Month	Stock	High	Low	Open	Close	Change	12 Month	Stock	High	Low	Open	Close	Change
100	AAR	50.10	49.10	49.10	49.10	0.00	100	AMC	10.00	9.50	9.50	9.50	0.00	100	AMT	10.00	9.50	9.50	9.50	0.00	100	AMT	10.00	9.50	9.50	9.50	0.00
101	AAR	50.10	49.10	49.10	49.10	0.00	101	AMC	10.00	9.50	9.50	9.50	0.00	101	AMT	10.00	9.50	9.50	9.50	0.00	101	AMT	10.00	9.50	9.50	9.50	0.00
102	AAR	50.10	49.10	49.10	49.10	0.00	102	AMC	10.00	9.50	9.50	9.50	0.00	102	AMT	10.00	9.50	9.50	9.50	0.00	102	AMT	10.00	9.50	9.50	9.50	0.00
103	AAR	50.10	49.10	49.10	49.10	0.00	103	AMC	10.00	9.50	9.50	9.50	0.00	103	AMT	10.00	9.50	9.50	9.50	0.00	103	AMT	10.00	9.50	9.50	9.50	0.00
104	AAR	50.10	49.10	49.10	49.10	0.00	104	AMC	10.00	9.50	9.50	9.50	0.00	104	AMT	10.00	9.50	9.50	9.50	0.00	104	AMT	10.00	9.50	9.50	9.50	0.00
105	AAR	50.10	49.10	49.10	49.10	0.00	105	AMC	10.00	9.50	9.50	9.50	0.00	105	AMT	10.00	9.50	9.50	9.50	0.00	105	AMT	10.00	9.50	9.50	9.50	0.00
106	AAR	50.10	49.10	49.10	49.10	0.00	106	AMC	10.00	9.50	9.50	9.50	0.00	106	AMT	10.00	9.50	9.50	9.50	0.00	106	AMT	10.00	9.50	9.50	9.50	0.00
107	AAR	50.10	49.10	49.10	49.10	0.00	107	AMC	10.00	9.50	9.50	9.50	0.00	107	AMT	10.00	9.50	9.50	9.50	0.00	107	AMT	10.00	9.50	9.50	9.50	0.00
108	AAR	50.10	49.10	49.10	49.10	0.00	108	AMC	10.00	9.50	9.50	9.50	0.00	108	AMT	10.00	9.50	9.50	9.50	0.00	108	AMT	10.00	9.50	9.50	9.50	0.00
109	AAR	50.10	49.10	49.10	49.10	0.00	109	AMC	10.00	9.50	9.50	9.50	0.00	109	AMT	10.00	9.50	9.50	9.50	0.00	109	AMT	10.00	9.50	9.50	9.50	0.00
110	AAR	50.10	49.10	49.10	49.10	0.00	110	AMC	10.00	9.50	9.50	9.50	0.00	110	AMT	10.00	9.50	9.50	9.50	0.00	110	AMT	10.00	9.50	9.50	9.50	0.00
111	AAR	50.10	49.10	49.10	49.10	0.00	111	AMC	10.00	9.50	9.50	9.50	0.00	111	AMT	10.00	9.50	9.50	9.50	0.00	111	AMT	10.00	9.50	9.50	9.50	0.00
112	AAR	50.10	49.10	49.10	49.10	0.00	112	AMC	10.00	9.50	9.50	9.50	0.00	112	AMT	10.00	9.50	9.50	9.50	0.00	112	AMT	10.00	9.50	9.50	9.50	0.00
113	AAR	50.10	49.10	49.10	49.10	0.00	113	AMC	10.00	9.50	9.50	9.50	0.00	113	AMT	10.00	9.50	9.50	9.50	0.00	113	AMT	10.00	9.50	9.50	9.50	0.00
114	AAR	50.10	49.10	49.10	49.10	0.00	114	AMC	10.00	9.50	9.50	9.50	0.00	114	AMT	10.00	9.50	9.50	9.50	0.00	114	AMT	10.00	9.50	9.50	9.50	0.00
115	AAR	50.10	49.10	49.10	49.10	0.00	115	AMC	10.00	9.50	9.50	9.50	0.00	115	AMT	10.00	9.50	9.50	9.50	0.00	115	AMT	10.00	9.50	9.50	9.50	0.00
116	AAR	50.10	49.10	49.10	49.10	0.00	116	AMC	10.00	9.50	9.50	9.50	0.00	116	AMT	10.00	9.50	9.50	9.50	0.00	116	AMT	10.00	9.50	9.50	9.50	0.00
117	AAR	50.10	49.10	49.10	49.10	0.00	117	AMC	10.00	9.50	9.50	9.50	0.00	117	AMT	10.00	9.50	9.50	9.50	0.00	117	AMT	10.00	9.50	9.50	9.50	0.00
118	AAR	50.10	49.10	49.10	49.10	0.00	118	AMC	10.00	9.50	9.50	9.50	0.00	118	AMT	10.00	9.50	9.50	9.50	0.00	118	AMT	10.00	9.50	9.50	9.50	0.00
119	AAR	50.10	49.10	49.10	49.10	0.00	119	AMC	10.00	9.50	9.50	9.50	0.00	119	AMT	10.00	9.50	9.50	9.50	0.00	119	AMT	10.00	9.50	9.50	9.50	0.00
120	AAR	50.10	49.10	49.10	49.10	0.00	120	AMC	10.00	9.50	9.50	9.50	0.00	120	AMT	10.00	9.50	9.50	9.50	0.00	120	AMT	10.00	9.50	9.50	9.50	0.00

Continued on Page 39

Stock					Stock					Stock					Stock									
Sales	High	Low	Last	Chg	Sales	High	Low	Last	Chg	Sales	High	Low	Last	Chg	Sales	High	Low	Last	Chg					
(Pct)					(Pct)					(Pct)					(Pct)									
AAWHd	18	13	12	12 1/2	-1/4	ChOre	22	30	165	15	-1/4	Fidelity	14	47	172	172	-1/4	Honder	35	13	824	173	129	-1/2
AB	17	210	17	209 1/2	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
ABT	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
AC	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Acad	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adapt	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55	55	-1/2	FIDM	12	84	43	43 1/2	-1/2	Ind	20	34	102	119	12	-1/2
Adm	17	175	17	175	-1/2	ChOreL12b	20	104	55															

Continued on Page 37

FINANCIAL TIMES

WORLD STOCK MARKETS

FT correspondents assess the damage and implications of the day the bottom fell out of the markets

Bold bulls cling to faith despite bears' mighty swipe

THE WORLD's stock markets have not seen a day like yesterday in modern times. By the end of the European afternoon, with Wall Street down more than 500 points after last week's 236 point drop, one might have thought they had gone into a timeless spiral.

The collapse had frayed many nerves and tested technology to - and in some cases beyond - its limit.

On the London Stock Ex-

change's Automated Quotation System (Seaq) screen, the page for price changes was showing many leading stocks down 50p - it could not indicate greater falls. The window display at Brunel House, headquarters of the FT, suffered a similar problem.

The reaction of markets around the world to Wall Street's 108 point drop on Friday left many people stunned.

"We've got nothing to compare it with," said one young London

analyst. "It's a freak, just like last week's hurricane."

Despite the hysteria suggested by the frantic marking down of prices, however, there appeared to be a remarkable absence of panic among European market analysts - particularly considering the magnitude of yesterday's falls.

There was quite heavy selling in a number of European markets by small investors, no doubt frightened by weekend press coverage of Wall Street. But some foreign investors - who

BY ALEXANDER NICOLL, EUROMARKETS EDITOR, IN LONDON

would stand to gain from a dollar fall if they are dollar-based - were thought to be holding on to their investments.

"We're not worried," said one bold watcher of Continental markets. Though the chain reaction of price drops could go on for a little while, she felt that the markets will then represent "one of the best buying opportunities for a very long time."

"We have not given up on the

bull market," said one UK analyst summarising the views of many others.

It is, of course, too soon to tell whether or not the stock price falls mean the end of the long worldwide bull market in equities, which has fuelled the trend toward the "globalisation" of stock markets. Many markets were strong and were due for a correction, but the suddenness of

that correction could not have been predicted.

There remains a danger of a continued self-fuelling decline, some of yesterday's UK selling represented 'stop-loss' orders triggered by computers, a phenomenon seen as increasing short-term volatility in the US market.

It is clear, however, that there has been a major change in sentiment in the US market, which analysts had already considered to be more overvalued than others. With interest rates rising in-creasably on concerns - justified

or not - about inflation, there are new fears that a recession will come next year, much sooner than had been previously forecast.

Ever since Mr Paul Volcker passed the Federal Reserve chairmanship to Mr Alan Greenspan, there have been underlying market fears about the Fed's determination to control inflation. His insistence that the market and trade outlook is good has left a feeling in the markets that credit policy was running out of control.

A recession in the US would have an impact on economies elsewhere. But though Wall Street and the state of the US economy have an inevitable knock-on effect on other markets, the fundamentals of the economic situation in the UK and elsewhere remained good, with economic growth and the corporate profits outlook healthy, analysts say.

"One can only rely on the good sense of investors to recognise that markets are cheap," said one.

AMERICA

Dow plummets in wave of frenzied selling

WALL STREET

A STUNNING collapse of stock prices, unprecedented in the history of Wall Street, rocked the US financial community yesterday, writes Roderick Oram in New York.

A selling frenzy swept through the markets from the opening, indiscriminately anything more than 22 per cent off stock prices. The scale of the rout was almost double the 12.8 per cent fall on October 29 1929, the worst day of the stock market crash which preceded the Great Depression.

Credit markets, deeply troubled at the opening with bond prices falling almost two points in early trading, stabilised during the morning after the dollar found some respite from its self-off against the yen and the Federal Reserve Board intervened heavily in the money market, supplying reserves. By the end of the day the Treasury's long bond had risen to 3 1/2% to yield 10.089 per cent.

The Dow Jones Industrial Average closed down 508.32 points at 1,738.42 virtually doubling its previous record fall in points terms in a day. All the broad market indices suffered as badly, even the over-the-counter index which is normally somewhat insulated from the futures arbitrage swings which affect big capitalisation stocks.

The New York Stock Exchange's volume record of 338.5m shares was comprehensively smashed with three hours still left to trade. By the close an astounding 604.8m shares had changed hands.

One of the starkest measures of the illiquidity of the market at the opening was the halt in trading of almost two-thirds of the Dow Jones industrial index. It took the NYSE specialists, who make an orderly market in the stocks, almost two hours to generate sufficient buy orders by gradually lowering the indicated price to match the sell orders. Once a rough balance was met, trading started with the biggest stocks such as IBM instantly dropping nearly 10 per cent in value.

Once again futures and options and computer techniques to play them contributed heavily to the trading volume. "Humungous selling programmes helped drive down the market," one market analyst said.

The selling abated for a while in mid-morning and the Dow bounced back to a loss of only 100 points. But the upward move failed to convince investors and traders and the selling onslaught resumed. By the close the ratio of issues declining to rising was 1.981 to 40.

Just about the only stocks to buck the trend were golds which were underpinned by a soaring price. Newmont Gold rose 3 1/2% to \$39 1/2. Newmont Mining, however, fell 5 1/2% to \$38 1/2. Battle Mountain

Gold fell 3 1/2% to \$38 1/2. Callahan Mining jumped 3 1/2% to \$32 1/2. Homestake lost only 5% to close at \$43 1/2.

Wall Street firms were deeply out of favour with investors who feared the markets' collapse could financially damage brokerage houses. Salomon lost 5 1/4% to \$23 1/2. Merrill Lynch fell 5 1/2% to \$25 1/2. Shearson Lehman shed 5 1/4% to \$20 1/2. R.F. Hutton lost 5 1/4% to \$23 1/2.

Banks and other interest-rate sensitive stocks were also hard hit. Citicorp lost 1 1/2% to \$37 1/2. Chase Manhattan gave up 3 1/2% to \$28. Manufacturers Hanover fell 5 1/4% to \$27 1/2. J.P. Morgan fell 5 1/4% to \$27 1/2. Allied Signal collapsed by 1 1/4% to \$28.

Computer hardware and software and semiconductor stocks were savaged. Digital Equipment shed 4 1/2% to \$129 1/2. Lotus Development and Microsoft both reported higher earnings but slumped 3 1/2% to \$26 1/2 and 1 1/2% to \$45 1/2. Hewlett-Packard fell 1 1/2% to \$47 1/2.

AT&T fell 5 1/4% to \$23 1/2 on flat profits. MCI, one of its long-distance telephone competitors, fell 3 1/2% to \$34 1/2 on a halving of operating profits.

Some takeover stocks, already battered by suggestions from Congress about the closing of takeover-related tax loopholes, suffered further yesterday. Texaco, which deferred a decision on a \$65-a-share bid from Mr Asher Edelman, fell 1 1/2% to \$45 1/2.

Credit markets opened sharply lower after heavy overnight sell-offs abroad. At its worst, the benchmark 3 1/2 per cent Treasury long bond was off almost two points during the morning but some short covering helped halve the loss. By the close, however, it was up nearly two points at 8 1/2% to yield 9.949 per cent.

Short-term interest, particularly three-month Treasury bills, edged lower as money flowed into top-grade short-term instruments, particularly from investors cashing in their stocks. The Fed Funds rate was steady at about 7 1/4 per cent.

Bonds gained some comfort from the relative stability of the dollar against the yen. The US currency plunged several pence against the D-mark, however, because of comments by Mr James Baker, Treasury Secretary, at the weekend about the US allowing the dollar to drift lower as a protest against tighter monetary policy in West Germany.

The Treasury's announcement of its retrenching plans at the November auction is just over a week away so the attitude of foreign investors to dollar-denominated securities in coming days will be crucial.

Canada down more than 300

NOT EVEN its traditionally heavy concentration of resource issues could prevent the Toronto stock market from plummeting a staggering 8.5 per cent or more than 300 points yesterday in frenzied trading, writes David Owen in Toronto.

By 4pm the benchmark TSX-300 composite index had fallen a record 308.89 at 3261.89 on extraordinarily heavy volume. Trading was dominated by computers automatically selling stocks into markets with few buyers.

Not surprisingly, all fourteen stock group sub-indices lost ground, with real estate and construction initially leading the way. Even golds which had initially climbed on

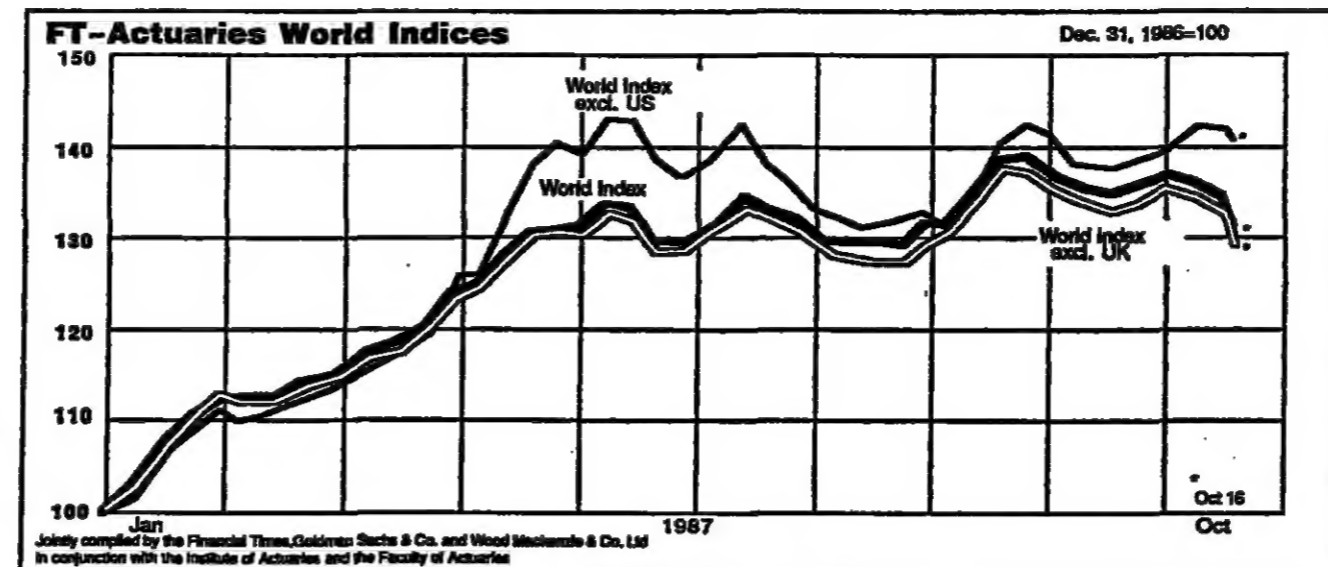
the back of higher bullion prices, slumped during the afternoon.

"The market has fallen victim to the vicious selling that has been going on elsewhere," commented one analyst with McLeod Young Weir.

"Computer sell programmes are creating a domino effect," he added. Other Canadian markets experienced similar record downturns, with Montreal tumbling 126.44 to 1635.59 and Vancouver off 92.13 from Friday's close of 1632.73 in morning trading.

Canadian finance minister, Michael Wilson, meanwhile, ruled out government intervention in the stock markets. "It is important that we don't get overly preoccupied with what is happening there," he said.

The Key Market Monitors have been dropped from today's edition to accommodate more reports on the sharp falls in markets around the world. Market indices, lists of the most active stocks and London chief price changes can be found on Page 37.



EUROPE

London suffers biggest ever fall

THE UK stock market suffered a dramatic setback yesterday, recording by far its largest one-day fall as it joined other European bourses in reacting to fears that the latest collapse on Wall Street presaged the end of the bull market of the 80s, writes Terry Byland in London.

The FT-SE 100 index fell by more than 300 points at its worst level but rallied by more than 50 points as Wall Street tried to stage a partial recovery from its opening loss. At the close, the FT-SE 100 index was 248.8 down at 2,052.3.

The FT Ordinary index, at 1,629.2, lost more than 10 per cent, far out-

stripping the previous record loss of 7.1 per cent on March 1, 1974. More than 2,000 shares recorded falls in the session, against only 75 with gains.

At mid-session, amid reports of redemptions by unit trust (mutual fund) holders, equities fell into a "vicious pandemonium", according to one trader. Marketmakers were briefly unable to update their prices and the trading mood was described as "quite frightening".

Selling volume was hefty heavy, but there were signs that the shake-out reflected technical factors as well as more deeply seated investment decisions.

The setback came after a fortnight in which the London market had successfully resisted the increasingly bearish pressures from New York and other world centres. Confidence in the outlook for the domestic economy has checked selling of equities, while British Government bonds have remained firm, as a strong pound has maintained belief that UK interest rates will resist upward pressures.

The big investment funds made little attempt to deal in yesterday's turbulent marketplace, but several fund managers expressed relative confidence despite the market's slide.

"It's hard to see anything fundamentally wrong with the UK economy or market at present," said an investment manager for a major insurance company. "The institutions should be out there buying during a free-fall like this."

The London market faces important tests today, when the UK money supply and bank lending statistics are expected, and on Friday when the UK trade figures are due.

There were widespread losses in bonds yesterday as the market followed New York. Long-dated issues showed net falls of 1 1/2 points. Details, Page 36

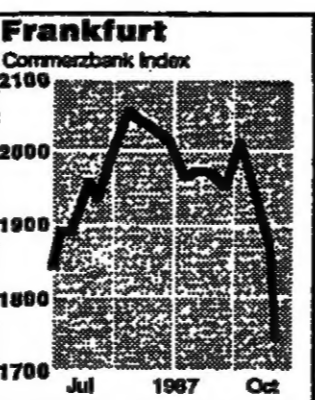
'Panic' grips Frankfurt and Paris

INVESTORS WERE licking their wounds yesterday after a record plunge in West German stocks and the worst day's trading in France that many people had experienced, writes Andrew Fisher in Frankfurt and George Graham in Paris.

Analysts in Frankfurt were generally gloomy about the prospects of a marked short-term recovery in the German market. Despite the resiliency shown by much of German industry in the stronger D-Mark this year, shares were expected to remain depressed in the wake of international reaction to the US market's collapse.

The widely-watched Commerzbank index dropped by 7 per cent to 1,744.1 points. This was 132.5 points down on Friday, more than any previous drop. "It was just panic," said Mrs Renate Braun-Reiber, an analyst with Metzler, the Frankfurt bank.

All major shares showed large falls, with Daimler-Benz losing DM99 to close at DM923, Deutsche Bank down DM75 to DM565, and Siemens down DM49.50 to DM590. Because of the heavy volume of trading, with large-scale selling by foreign investors, the Frankfurt



stock exchange stayed open an extra half hour.

Citibank AG may have to revise downwards its 6 per cent estimate of German corporate earnings growth for 1988, said Mr Adrian Brundrett, an analyst with the Frankfurt subsidiary of Citicorp of the US. "It seems the dollar decline will continue, since there's no sign of a let-up in the US trade deficit. It's the only way to get the books balanced."

Frankfurt's share price decline

was even stronger when measured by the daily index of Borsen-Zeitung, the local financial daily. This showed a 9 per cent fall to 355 points.

Yesterday's trend puts another question mark over the proposed sale of the remaining 16 per cent government stake in the Volkswagen motor concern. Mr Gerhard Stoltenberg, the Finance Minister, hoped to raise some DM1.5m next month through the sale, having originally said it would be delayed to next year because of the currency fraud at VW. But yesterday VW's share price slid by DM49.50 to DM315.

In Paris, a 9.7 per cent drop in the share price index was the worst one-day fall since 1981, when the election of a socialist president, Mr Francois Mitterrand, sparked off a 14 per cent decline in share prices.

"I have been in this business for 20 years and I have never seen a fall as brutal as this. It will certainly leave some scars," said Mr Alain Grillon, head of equities at Fimgest, the fund management house.

"We are all on panic pricing today," said Mr Bertrand Goddille, director of fund management at Hottinguer, the private bankers.

Foreign investors, who have not so far been heavy sellers in the French market, may soon have to change tack, as many UK unit trusts specialising in Europe are suffering heavy withdrawals.

"There are good fundamental buying opportunities, but no-one is going to take them for fear that the fall might snowball," Mr Goddille said.

At safe, the research house owned by the Paribas banking group, the mood was less pessimistic. "We do not believe in a world crisis, a remake of 1929. This is an adjustment which is shaking up the market in an extraordinary way, but it should find a floor in the current zone."

French market analysts draw some comfort from the fact that they are not suffering alone, but they note that neither France's economy nor its currency have any of the soft characteristics which might help insulate Paris.

"At the moment it is best to sell what you can. If you hesitate too long then you are falling to buy the best value that is available at the moment, which is cash," said Mr Grillon of Fimgest.

Gales of anxiety sweep rest of Europe

OTHER EUROPEAN equity markets were routed in fierce and broad selling, with some quality issues losing a fifth or more of their market values, writes Our Markets Staff.

Brussels plunged in its worst session since market records began, with some blue chips marking record losses in selling accelerated by the King's acceptance of Prince Minister Martens' resignation. Trading was extended by 45 minutes to allow brokers to cope with the deluge of sell orders.

The cash market index fell 504.44 to 4,308.42. Further selling is expected today on the opening of a new fortnightly trading period.

Many recent favourites fared worst. Solvay plummeted BF4,050, or 27.5 per cent, to BF10,850. Fellow chemical UCB sank BF2,090 to a year's low of BF6,010, a 22 per cent fall. Leading blue chip Petrofina gave up BF1,825 to BF10,375. In holdings, Reserve, the share of Societe Generale de Belgique, shed BF1,320 to BF12,000 and Groupe Bruxelles

Lambert dived BF1,560 to BF1,250. Sofina lost BF1,150 to BF1,125. Amsterdam plunged in savage selling which closed 13 per cent off the blue chip CSD all-share index, leaving it down 12.3 at 82.7 - the lowest close since its inception in 1985. The weighted ANP-CBS general index lost 22.7 to 268.8.

Only two issues rose as 223 fell, with 15 shares unchanged. Internationals led the rout. Market leader Royal Dutch saw FI 25.30 chopped from its price to FI 23.94. Also slumped FI 20.50 to FI 19.12 and Unilever tumbled FI 18.10 to FI 16.7, each having rallied slightly before the close. Philips gave up FI 5.80 to FI 42.40.

Banks were down sharply, with ABE off FI 2.70 at FI 40 and Amro off FI 8.30 at FI 69. Brewster Heinlen closed at FI 152, a loss of FI 13.50, after hitting a day's low of FI 133. Publisher Elsevier was FI 9 down at FI 45.

Zurich also dived in frantic selling which stripped some 11 per cent from the value of stocks. The all-share index fell 121.2 to 1,051.4 -

trade which had to be extended by almost two hours to allow dealers to clear their orders.

No sector survived the bears. Among the worst hit, insurers Swiss Re slumped SF1,900 to SF1,700 and Zurich SF1,900 to SF1,600. In banks, Union Bank fell SF1,715 to SF1,400 and Swiss Bank SF1,64 to SF1,455. Credit Suisse was off SF1,390 to SF1,300.

Brown Boveri dropped SF1,625 to SF1,350 and Oerlikon Gebhle SF1,145 to SF1,140. Ciba-Geigy led chemicals down, by SF1,540 to SF1,350 and Sanduz was SF1,000 down at SF1,350.

Oslo also saw its biggest ever single session fall, with the all-share index losing 32.75 to 383.07 in a wide sell-off.

Norsk Data A shares plunged NK1,55 to NK1,180, a fall worsened by its prediction of lower than previously forecast pre-tax profits for 1987. Its B shares lost NK1,48 to NK1,180.

Norsk Hydro fell NK1,350 to NK1,238 and Hafslund NK1,25 to NK1,589 50. Orkla Borsgaard dived

NK1,2750 to NK1,545. Higher spot crude prices did little for oils, with Saga Petroleum NK1,49 off at NK1,144.

Stockholm suffered a record session's fall with the Affarsveiden General index losing 6.4 per cent to 904.3, its lowest level since August 27 this year. Of the top 16 blue chips, 15 recorded falls of more than SK20. Sase alone moderated its losses with a SK4 dip to SK258. Volvo, though, crashed SK24 to SK198.

Madrid succumbed to the European sell-off, falling sharply across the board. Banks, construction and chemical issues leading the decline. Telefonica gave up 5.75 per cent of nominal market value to 210 per centage points.

Milan dived as local and overseas investors sold heavily. The MIB index at 853 was 6.25 per cent lower, a daily fall surpassed only by the 8.17 per cent drop of June 9, 1986.

Helsinki was knocked from record levels by the sale of selling. The Untia all-share index closed down 23.2 at 656.2.

ASIA

Tokyo 'resilient' as Hong Kong nosedives

TOKYO

THE NIKKEI average suffered its sixth largest fall in absolute terms yesterday but the decline was much smaller than many investors had feared, writes Stefan Wagstyl in Tokyo.

The market's performance left stockbrokers saying that Tokyo had shown "great resilience."

The Nikkei lost 620.18 points on the day to close at 25,745.56. In percentage terms, the market ended only 2.4 per cent down on the day and 3.4 per cent off its all-time peak, reached last Wednesday.

"The situation in Tokyo is quite different from New York," commented Nomura, the largest Japanese securities company.

Mr George Nimmo, head of sales at Vickers de Costa, subsidiary of Citicorp, the US bank, said: "I think Tokyo will stand out like a beacon today."

Stockbrokers said Friday's heavy losses on Wall Street had been the main reason for the fall in Tokyo, coupled with a rise in the yen on the foreign exchange market yesterday, which hit exporting companies' stocks.

However, investors have been reassured by expectations of continuing low inflation and good corporate results in the October-November reporting season.

Japanese institutional investors see Tokyo as a much safer home for their funds than New York. Mr Noriaki Suzuki, manager of international bond investment at Norinchukin Bank, said: "Worldwide interest rates are rising so in those circumstances we are not able to increase our foreign investments."

Volume in Tokyo slumped from Friday's 768m to 620m shares as institutional investors moved to the sidelines, Shigeo Nishiwaki of Jiji Press adds.

Officials at big securities firms forecast the market would slip further if New York stocks continue falling.

Some investors and major securities companies dumped part of their holdings from the outset. But selling was braked towards the close on speculative buying of shipping and electric railways stocks.

Nippon Steel, the most active stock, with 91,92m shares traded, closed Y11 down at Y490 after dropping Y10. Mitsubishi Heavy Industries and Nippon Kokan fell Y10 each to Y708 and Y341.

High-tech issues were hurt on a wide front by the yen's upsurge. Fujitsu lost Y80 to Y1,400, Matsushita Electric Industrial Y180 to Y2,470 and Sony Y290 to Y4,950.

HONG KONG

SOME HK\$70bn was wiped off the capitalisation of Hong Kong's share market yesterday as the Hang Seng index slumped by almost 11 per cent, writes David Dodwell in Hong Kong. The index closed at 3,382.30, a 420.81 point fall on the day and more than twice the previous record fall recorded in 1973.

Brokers said second and third line stocks, which are not reflected in the Hang Seng index, tumbled more precipitously, with falls of between 20 and 25 per cent said to be widespread. Trading volume was

HK\$4.2bn against HK\$2.7bn on Friday.

Trading in Hang Seng index futures contracts on Hong Kong's futures exchange was suspended three times over the day as falls exceeded the daily trading limits set by the exchange's market committee.

Two factors also artificially protected the Hang Seng index yesterday. First, there was continuing evidence that an anonymous group of buyers were mopping up shares in Hongkong Land when its shares weakened.

Hongkong Land is an important constituent of the Hang Seng index, and its strength helped moderate the index's fall. Its stock closed down 70 cents at HK\$11 in volume of HK\$1.2bn - about a quarter of the day's total.

Second, trading in Hongkong Telephone shares remained suspended as details were unveiled of a corporate reorganisation involving the Hong Kong subsidiary of Cable and Wireless. Hongkong Telephone accounts for some 7 per cent of the Hang Seng index, so a strong fall in this stock when trading resumes on Wednesday could create fresh weakness.

AUSTRALIA

SUCH IS the time difference between New York and Wellington or Sydney that investors in New Zealand and Australia only realised the implications of Wall Street's "Black Friday" late on Saturday, writes Chris Sherwell in Sydney.

As a result, the story of the US market's plunge was still strong enough to splash Australia's only quality Sunday newspaper.

The selling began as soon as the markets opened yesterday and barely stopped all day, despite the confidence - not to say hopeful - predictions of some brokers that the US reversal was merely a temporary correction.

The Australian market suffered a record one-day point fall, with the All Ordinaries index All Ordinaries index plunging 80.4 points, or 3.7 per cent, to 2,064.2.

The All Industrials index fell further, dropping 154 points or 4.8 per cent, and the All Resources index declined 23.9 points to 1,316. A rise in the bullion price helped gold shares, however, and the gold index rose 8.6 to 3,574.7.

SINGAPORE

THE COMBINATION of reaction to Wall Street's fall and rumours of heightened racial tensions in neighbouring Malaysia drove the Singapore market down 12 per cent, with the Straits Times industrial index closing at 1,223.23, a fall of 188.14, writes Roger Matthews in Singapore.

Selling was across the board, with DBS Bank off S\$2.90 at S\$14 and Singapore Airlines shedding S\$2.10 to S\$12.10.

Brokers attributed much of the selling to overseas fund managers who were then joined by local investors. They stressed that domestic factors did not warrant such a precipitous fall, with company profitability rising and the Government expected to announce shortly a further rise in the growth rate during the third quarter.

SOUTH AFRICA

A CAUTIOUS Johannesburg stock exchange was one of the few world markets to show any strength. As gold surged through \$490 an ounce, blue chip gold shares rose by between 5 per cent and 10 per cent, writes Jim Jones in Johannesburg.

Many of Johannesburg's brokers, leaving work yesterday evening, were asking whether their market could long avoid the worldwide shake-out. "Look at De Beers," one said. "It could be in trouble if De

Beers feel they are less wealthy and avoid buying luxuries like diamonds."

Another said he wanted to see gold consolidate above present levels before he would believe the gold share market was set for a sustainable rise. Some operators were taken aback by an apparent lack of foreign interest.

Among golds, Vaal Reefs jumped R22 to R487 and Randfontein rose R7 to R490. Platinum was up but De Beers lost 75 cents to R5.50.